Austria Sch22	Indonesia Rp3700	Philippines Peso40
Bahrain Din0.650	Iran Rls140	Portugal Esc120
Belgium BFr48	Israel NIS3.50	S.Arabia Rls7.00
Canada C$1.00	Italy L1700	Singapore S$4.10
Cyprus C£0.90	Japan Y600	Spain Pta145
Denmark DKr10.00	Jordan Fils500	Sri Lanka Rup30
Egypt E£2.25	Kuwait Fils.500	Sweden SKr9.00
Finland Fmk7.00	Lebanon £L250.00	Switz SFr2.30
France FFr7.00	Lux LFr48	Taiwan NT$65
Germany DM2.20	Malaysia Rin4.25	Thailand Bt50
Greece Dr120	Mexico Pes300	Tunisia Din0.800
Hong Kong HK$12	Morocco Dh6.00	Turkey L600
Iceland Kr125	Neth Fl3.00	UAE Dh6.50
India Rup15	Norway NKr18.00	USA $1.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,721 — Friday December 16 1988 — D 8523 A

SRI LANKA
Death still stalks a beautiful land
Page 4

World News

Prosecutors seek remand of Palme suspect

Swedish prosecutors asked a Stockholm court to remand in custody a convicted killer suspected of murdering Swedish prime minister Olof Palme nearly three years ago. Chief prosecutor Axel Morath said: "I believe we have got the murderer now". Remand is the first stage in the Swedish legal system, potentially leading to a trial in front of legal experts. Page 8

Rocard avoids vote
French Prime Minister Michel Rocard invoked an emergency decree, approving legislation without a vote, after refusal by centrists and communists to support a broadcasting bill threatened with defeat for the minority Socialist Government.

Sri Lanka poll call
Sri Lankan political, civic and religious leaders urged the Government to postpone presidential elections due on December 19 because of ethnic violence which has claimed at least 88 lives this week. Cost of brutality, Page 4

Armenian disaster
Hopes faded of finding more survivors of the Armenian earthquake. Foreign aid continued to pour into stricken areas and a senior Soviet military commander denounced both looters and nationalists for seeking to exploit the tragedy. Page 26

Belgian traffic chaos
Traffic chaos hit Brussels as public transport workers held a 24-hour strike over pay and conditions.

Six bombs in Chile
At least six bombs exploded in two Chilean cities, including one near the presidential palace in Santiago which injured five passers-by. Responsibility was claimed by leftist guerrillas of the Manuel Rodriguez Patriotic Front.

Bulgarian reshuffle
Bulgaria's ruling Communist Party announced a reshuffle of the party leadership which suggests a cautious approach to economic reforms and continuing reluctance to introduce substantial changes in the political apparatus. Page 3

Spanish union call
Spanish trade unions, encouraged by the response to Wednesday's 24-hour general strike call, put forward a five-point programme to ensure industrial peace and said thousands would turn out for a protest march in Madrid this evening. Page 2

Poland talks 'soon'
Lech Walesa, leader of Poland's banned Solidarity trade union, said that round table talks with the Government, repeatedly delayed since September, were "very close at hand."

Brazil pact at risk
Brazil's high inflation is threatening the future of a six-week-old "social pact" of Government, workers and employers, itself created as a forum to negotiate a reduction in inflation. Page 6

Minister admits deal
Argentine Defence Minister Horacio Jaunarena confirmed suggestions that the recent four-day rebellion by army units was resolved by an agreement between the army chief of staff and the leader of the mutiny. Page 6

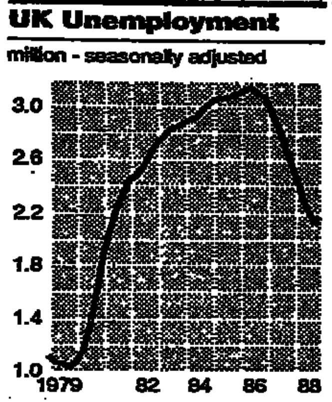
Business Summary

CBS to pay over $1bn for baseball TV rights

CBS, US broadcasting group, is to spend more than $1bn for exclusive rights to televise major-league US baseball in risky and ambitious bid to reverse falling market share. Page 27

BRITAIN'S official unemployment total fell by 49,200 to 2.11m last month, lowest figure for more than seven years.

UK Unemployment
million - seasonally adjusted



Average earnings showed underlying increase of 9 per cent in October, down from 9.25 per cent in September. Page 9

OLIVETTI, Italian office equipment group, refused to comply with request by Norwegian stock exchange authorities to make public offer for 49 per cent minority shareholdings in Scanvest Ring, Oslo-based distributor of integrated data processing systems. Page 27

ARGENTINA'S Minister of Public Works announced collapse of 10-month-old project to sell 40 per cent of state airline Aerolineas Argentinas to Scandinavian Airline Systems. Page 23

EUROPEAN Parliament approved EC's 1989 budget, totalling Ecus 44.8bn ($53.2bn), first time since 1983 Community has managed to pass budget before it is due to come into force. Page 2

INTERNATIONAL Business Machines, world's largest computer manufacturer, agreed to extend indefinitely pact with EC under which it provides technical information about its systems. Page 2

NATIONAL Semiconductor, California-based semiconductor and computer manufacturer, reported fiscal second quarter loss of $25.2m, caused by slowdown in US semiconductor market. Page 28

VENEZUELA launched largest yet international public securities issue, a $500m floating rate note intended to refinance $400m of bank loans and raise $100m new funds. Page 6

PLN, Indonesia's debt-ridden state electricity utility, is to go ahead with development of 1,600 MW Paiton power station, despite World Bank threat to withdraw funding for project. Page 6

AERO Lloyd's six-week-old attempt to challenge domestic monopoly of West Germany's state-owned airline, Lufthansa, seems to be running into trouble. Page 2

RYAN International, British coal-mining and coal recovery group hauled back from impending receivership three years ago, announced surprise plans to move into private sector via £69.6m ($127m) management buyout bid. Page 27

PLESSEY, British electronics group, asked British High Court to "hold the ring" while European Commission decides whether joint venture bid by General Electric Company and Siemens of West Germany is permissible under European law. Page 32

Moscow urges early talks to prepare for Mideast conference

By William Dullforce in Geneva, Lionel Barber in Washington and Andrew Whitley in Jerusalem

THE Soviet Union called yesterday for immediate talks in the UN Security Council to prepare for an international Middle East peace conference, after the historic US decision on Wednesday to open direct dialogue with the Palestine Liberation Organisation.

Mr Vladimir Petrovsky, *Soviet deputy foreign minister*, said during the UN General Assembly session on Palestine in Geneva: "There is a unique chance today to start a political settlement in the Middle East, and this chance should not be lost."

His remarks, preceding a similar call yesterday from the Assembly, bolstered the impression that the Reagan Administration's move to suspend its long-standing ban on contacts with the PLO may open the way to fresh talks to resolve the Arab-Israel conflict under the auspices of the five permanent members of the Security Council. Mr Javier Perez de Cuellar, the UN Secretary General, is returning to New York today to see how the convening of a conference with the participation of all the parties concerned, including the PLO, can be speeded up.

The US decision marks a turning point in US foreign policy and lays the foundation for President-elect George Bush to begin fresh efforts next year to reach a Middle East peace settlement. It was warmly welcomed yesterday by all the key players in the Middle East conflict apart from Israel, and by other Security Council members.

The move came after Mr Yassir Arafat, the PLO leader, had spelt out more clearly on Wednesday the PLO's recognition of Israel's right to existence and his organisation's *renunciation of terrorism*.

The US administration moved swiftly to put its decision into practice, while assuring Israel that the move did not imply a diminution of US support for the Jewish state. Mr Robert Pelletreau, the American ambassador to Tunisia who has been designated sole channel for US dealings with the PLO, made his first official contact with PLO headquarters there and arranged for a meeting before the end of the week with the organisation's representatives.

In Washington, President Ronald Reagan stressed that US support for Israel would remain firm after his decision. In an attempt to counter Israeli criticism, Mr Reagan said the US would break off communications with the PLO if it failed to match its promises of moderation with deeds. "We are not retreating one inch from the position of guaranteeing the security of Israel."

Other American officials emphasised that the US would not recognise the unilateral proclamation by the PLO of an independent Palestinian state, and that an international conference should be seen as a means of launching direct talks between the regional parties. However, the implication of their statements was that Israel would be under pressure to reconsider its position.

Reaction to the move from the Arab world and from Eastern and Western Europe was enthusiastic. The PLO said it marked an historic admission by the US of the rights of the Palestinian people and of the PLO as the organisation representing them.

In London, Mrs Margaret Thatcher, the Prime Minister, underlined her hopes that this week's statements by Mr Arafat, which she described as a "very considerable step forward," might open the way for an international conference.

Only the Israeli Government and a handful of Palestinian extremist groups opposed to Mr Arafat struck a negative note. Israeli leaders dismissed Mr Arafat's statements as meaningless in practice, unless matched by the abandonment of violence in the occupied West Bank and Gaza Strip. Acknowledging they had had advance indications of the US intent to move towards a dialogue with the PLO, officials admitted they had little fresh to offer in the way of a policy response. There would be no corresponding move by Israel towards recognising the PLO.

Continued on Page 26

Bundesbank lifts interest rate amid inflation fears

By Andrew Fisher in Frankfurt and Peter Norman in London

WEST Germany's Bundesbank yesterday raised one of its key interest rates and signalled that monetary policy would be tightened slightly in 1989 to keep inflation at bay.

The Bundesbank's decision to raise its Lombard emergency funding rate to 5.5 per cent - from 5 per cent in the wake of higher money market rates – triggered similar half percentage point increases in the Dutch discount rate to 4.5 per cent and the Austrian Lombard rate to 5.5 per cent.

Yesterday's West German interest rate increase was co-ordinated with the Bank of France, which raised its official tender rate by half a percentage point to 7.75 per cent and its seven-day repurchase rate by three quarters of a point to 8.5 per cent late on Wednesday.

The reaction in currency markets to the Bundesbank's move was muted. The market had been expecting a rise in interest rates for more than a week and had bought the D-Mark aggressively before yesterday's rise.

The D-mark eased against the French franc and the dollar in continental trading after Mr Karl-Otto Pöhl, the Bundesbank president, stressed that West Germnany and France were not seeking a realignment of parities in the European Monetary System.

Earlier the Franc had come under selling pressure, with analysts suggesting that the likelihood of an EMS realignment was greater than for some time.

In Frankfurt, Mr Pöhl sought to play down the European interest rate increases. "We live in a world of slightly rising interest rates," he said, pointing out that rates had risen in the US, Britain, and elsewhere as these countries tried to ward off inflation.

He said the moves should not be dramatised or seen as a concerted movement to increase rates. He said central banks were looking ahead so that there was a good chance that next year could see growth without the usual capacity bottlenecks and high wage demands.

In New York, however, the dollar gained against other currencies after the US Federal Reserve, the US central bank, indicated that it was seeking higher short-term interest rates. This encouraged speculation of a rise in the Fed's discount rate, currently 6½ per cent.

At a press conference after yesterday's regular meeting of the Bundesbank's policy-making council, Mr Pöhl also announced that the bank would aim to keep money sup-

Continued on Page 26

Europe space plan to proceed

By Peter Marsh in London

THIRTEEN West European nations yesterday agreed to an ambitious $3.6bn programme in space-science after Britain withdrew its objection to the scheme at the last minute.

Until yesterday's decision, the UK had been alone within the 13-country European Space Agency in objecting to the proposed spending on Horizon 2000, a 20-year programme in astronomy satellites and unmanned probes around the solar system.

At a meeting of the agency's council in Paris, Britain followed the consensus view on the programme. The move ended a dispute which has been brewing for the past year over Britain's contention that Horizon 2000 was worthwhile but too expensive.

The British National Space Centre last night said that the UK agreed to Horizon 2000 after "recognising the strength of feeling within the rest of ESA" on the subject.

It did, however, extract from the other ESA nations the concession that the costs and management of Horizon 2000 will later be reviewed by outside consultants. This review is thought unlikely to interfere substantially with the programme's progress.

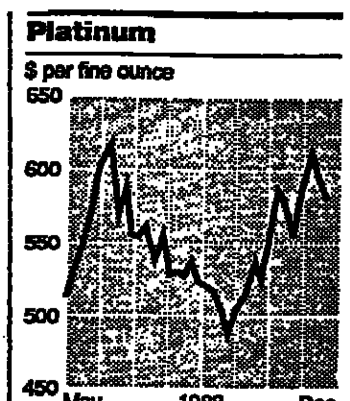
Yesterday's agreement may reduce the tension between the UK and some of the agency's other members over Britain's general reluctance to fund some of ESA's more ambitious projects.

The UK provoked widespread resentment within ESA just over a year ago by becoming the only leading agency member not to give its full backing to a series of manned space projects due to cost £7bn ($12.8bn) by the end of the century.

As a result of yesterday's decision, ESA has agreed over the next three years to increase its space-science spending by about 15 per cent to some £135m a year. The cash spent on space-science represents about a tenth of the agency's annual budget, which this year is likely to be about £1.2bn.

Further increases in space-science spending will be required in future years to maintain the momentum of the Horizon 2000 programme. Nonetheless they think that yesterday's agreement will be enough to set the project on its way.

Platinum



Ford upsets platinum market with substitute

By Kenneth Gooding, Mining Correspondent

FORD, the world's second-largest automotive group, yesterday caused chaos in the platinum market by revealing that it had developed a catalyst just as effective – but significantly cheaper than – one using platinum in eliminating car exhaust emissions.

In active early trading in New York, platinum futures plummetted $25 a troy ounce, the maximum permitted daily fall, taking the price for January delivery down to $579.50. In Zurich, the platinum price was $60 down at one stage at $545. In London it ended $37 an ounce down at $555 after what one trader described as "a nail-biting day."

Last night, however, Johnson Matthey, the world's largest platinum marketing company and a major supplier to Ford, said it was collaborating on the project and that the new technology would take some time to be proved.

Mr Donald Petersen, Ford chairman, said the new technology catalytic converter was already being installed on some 1989 models in a pilot production run.

"To appreciate the full implications of this patented development, you must understand that at least some platinum – a very expensive and scarce metal – has always been required in the past to reduce tailpipe emissions to meet (US) Government standards," he said. Ford would not give any technical details.

Johnson Matthey said: "This certainly should have no short-term bearing on the demand for platinum and we feel the price will recover."

The company said it was inhibited by its supplier relationship but did say another platinum group metal was being used. Analysts are convinced the metal is palladium, mined as a by-product of plati-

Continued on Page 26

SAS acquires 25% stake in UK air group

By Michael Donne, Aerospace Correspondent, in London

SCANDINAVIAN Airlines System, which sought a stake in British Caledonian last winter but was pre-empted by British Airways, is paying £25m ($45.75m) for a 24.9 per cent stake in Airlines of Britain Holdings, which includes British Midland Airways.

The deal is expected to result in a joint strategy to compete in the tougher international airline climate of the 1990s.

This strategy is expected to include a wide range of new scheduled services by British Midland from Heathrow, London, to nearby European destinations. It will substantially extend the competition faced by British Airways out of Heathrow and such other airlines as Air Europe and Dan-Air out of Gatwick.

The deal, announced yesterday by Mr Michael Bishop, chairman of ABH, and Mr Jan Carlzon, president and chief executive of SAS, values the privately-owned ABH group, which also includes Manx Airlines, Loganair and London City Airways, at about £100m.

SAS is owned by the national airlines of Sweden (three-sevenths) and Norway and Denmark (two-sevenths each). Each parent airline in turn is owned 50-50 by private and government interests.

Of the £25m, SAS is spending £8.3m on buying 4,979,000 ordinary shares in ABH held by Mr Bishop and his two partners, Mr John Wolfe and Mr Stuart Balmforth, and four other directors of airlines in the group. The other £16.7m will be spent by SAS on 9,958,000 new ordinary shares in ABH, to facilitate further expansion and develop new projects by the group.

The SAS deal is described as a "trading investment". It has been approved by the UK Civil Aviation Authority, since control of ABH will remain in the hands of Mr Bishop, Mr Balmforth and Mr Wolfe.

This will be exercised through their private investment holding company, the BBW Partnership. Mr Bishop himself will remain the group's controlling shareholder, with 64.8 per cent of the enlarged share capital of ABH.

Mr Bishop yesterday stressed that not only the overall control but also the management and strategy of the ABH Group will remain unchanged, although SAS will have one director on the ABH board. He added: "The new capital which SAS brings to the group will enable us further to develop the competition which we have so effectively established on UK domestic routes, and increasingly to Europe.

"There will be no compromise to the principles of competition, innovation and flexibility which have been the catalyst for the success so far of the ABH Group."

ABH expects to see its pre-tax profits this year double from £5m to around £10m, with passenger traffic up from 2.84m to about 3.5m. Half-year pre-tax profits stood at nearly £7.6m.

Mr Bishop said that he and his partners had looked for an overseas partner for some time. Although about fifteen other airlines had shown interest, the list was whittled down to three or four, of which SAS offered the best opportunity.

Mr Carlzon said the reason for the SAS interest in ABH was to further his own airline's desire to increase traffic volume both through a stronger market in Europe and efficient links with big airlines in other parts of the world.

SAS already has such links with Texas Air group (which includes Continental and Eastern) in the US and Thai International of Thailand.

SAS is also close to an agreement with All Nippon Airways of Japan for a joint operation at Tokyo Airport, and will continue to seek a 40 per cent stake in Aerolineas Argentinas, despite political objections to that plan in Argentina.

British Airways said later yesterday that the deal was "an example of the trends which are taking place worldwide, and increasingly within a liberalised European community. "With a substantial equity and voting holding by a foreign, State-controlled airline in a British carrier, we would expect Scandinavian governments and airlines to liberalise their restrictions on foreign ownership and offer no objection to similar foreign holdings in their airline."

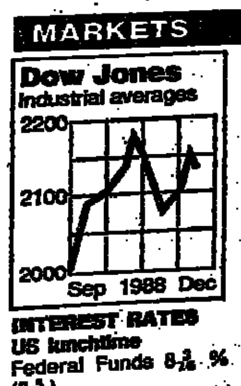
The SAS-ABH deal is the second Scandinavian investment in the UK airline industry in recent weeks.

Early in November the Danish A. P. Moller Group, through its UK subsidiary Maersk Air, acquired "a substantial minority" holding in The Plimsoll Line, in which British Airways has a 40 per cent stake and which owns Brymon Airways, the UK regional operator.

Jet set takes off, Page 28; Lex, Page 26

MARKETS

Dow Jones
Industrial averages



INTEREST RATES
US lunchtime
Federal Funds $8\frac{3}{16}$ % ($8\frac{5}{16}$)
3-mth Treasury Bills: yield: 8.458% (8.40)
Long Bond: $99\frac{13}{32}$ ($99\frac{9}{16}$)
yield: 9.05 % (9.04)
London
3-month Interbank: close $13\frac{3}{16}$% (same)

STERLING
New York lunchtime
$1.8165 (1.8285)
London:
$1.8285 (1.8300)
DM3.1950 (3.18)
FFr10.9300 (10.87)
SFr2.6925 (2.68)
Y225.50 (224.50)

DOLLAR
New York lunchtime
DM1.7585 (1.46825)
FFr5.987 (5.9450)
SFr1.4795 (1.46625)
Y123.8 (122.70)
London:
DM1.748 (1.7370)
FFr5.9775 (5.94)
SFr1.4725 (1.4650)
Y123.35 (122.70)

GOLD
New York latest
Comex Feb
$417.1 (-9.3)

STOCK INDICES
New York lunchtime
Dow Jones Ind. Av.
2,126.91 (-5.34)
S&P Comp
274.68 (+.07)
London:
FT-SE 100
1763.2 (+7.1)
World:
138.22 (Wed)
Tokyo
Nikkei Ave
29,705.75 (+48.98)
Frankfurt
Commerzbank
1,592.1 (-15.6)

OIL
Brent 15-day (Argus)
$15.115 (+0.95) (Jan)
West Tex Crude
$16.315 (+0.14) (Jan)

CONTENTS

Danes are sharply divided over the prospect of devaluation

Mr Poul Schlueter, Denmark's Prime Minister, made it clear long ago that he would not use exchange rate changes as a policy measure, but the spectre of devaluation refuses to be exorcised from the Danish policy debate
Page 3

Spanish unions seek to follow up strike success

By Tom Burns in Madrid

ENCOURAGED BY the success of Spain's general strike on Wednesday, the trade unions called on the Government yesterday to meet a five-point programme to ensure industrial peace and said thousands would turn out for a protest march in Madrid this evening.

Mr Felipe Gonzalez's socialist government appeared to be stunned by the surprising ease with which the socialist Union General de Trabajadores and the communist-led Comisiones Obreras unions had managed to bring the country to a 24-hour standstill.

Mr Nicolas Redondo, a veteran socialist and the leader of UGT, warned the Government not to "underestimate the lessons of a memorable day". He said the Government would have to alter its economic policies and implicitly said it would have to jettison those who had framed them.

In a clear reference to Mr Carlos Solchaga, the Economy Minister responsible for the conservative strategy that has prompted Spain's economic boom, Mr Redondo said there were ministers "who impede dialogue because they are actively opposed to the trade union movement".

The five-point plan, said by the unions to be non-negotiable, included a demand for a minimum 2 per cent wage rise for public sector employees whose salary increases have been eroded by higher than forecast inflation since the summer. Other points were an increase in unemployment benefits to cover 48 per cent of the jobless – at present fewer than 35 per cent receive them – parity between minimum pensions and minimum wages, a new collective bargaining framework for public employees and the withdrawal of a youth employment plan prepared by the Government which the unions say undermines job security and lowers wages.

Overall the plan, coming as it does at a time of concern that the Spanish economy might begin to overheat following record growth over the past two years, strikes at the very heart of Mr Solchaga's strategy to contain inflation and public spending.

The militancy of the unions could cause Mr Gonzalez to rethink his present opposition to a snap poll this spring, timed to coincide with the European elections. Business circles believe this could be the only avenue which will allow the Premier to regain the political initiative.

Papandreou faces fresh pressure after resignation

By Andriana Ierodiaconou in Athens

GREEK opposition parties yesterday renewed calls for the Socialist Government's resignation, following dramatic charges of financial corruption levelled by the Mr Stathis Yiotas, the Deputy Defence Minister, who quit his cabinet post on Wednesday.

His claims were contained in an eight-page letter of resignation addressed to Dr Andreas Papandreou, the Prime Minister, and leaked yesterday. The letter paints an extraordinary picture of illegal arms sales and defence procurement contracts, allegedly involving aides and close friends of the Prime Minister.

In his letter Mr Yiotas accused an unidentified prime ministerial adviser of exerting pressure to secure the Deputy Defence Minister's approval for the re-export of weapons to "countries and regimes condemned by world public opinion."

Other allegedly suspect contracts and dealings listed by Mr Yiotas include the purchase by Greece of French Magic II missile systems – a deal said to have been put together by a close friend of Dr Papandreou.

Brussels takes hard line on state aid

By David Buchan in Brussels and Ian Davidson in Paris

THE EUROPEAN Commission yesterday announced it was serving a legal warning on five EC governments for their failure to give Brussels advance notice of state aid paid to companies.

The move reflects the Commission's increasing concern that member states are using state aid policies simply to replace more traditional protectionist barriers now being swept away in the Community's single market programme.

The Commission has singled out France, Italy, Spain, Belgium, and Greece as those it regards as the worst offenders against the Treaty of Rome requirement that all prospective state aid should be notified to Brussels for prior Commission review.

These five governments will shortly receive a letter, under the standard treaty infringement procedure, giving them two months to mend their ways, or face possible formal condemnation in the European Court of Justice. The other seven EC states will also get a warning, but without the same legal consequences.

The Commission calculates that the incidence of illegally un-notified state aid has risen from 11.5 per cent in 1985 to 18 per cent in 1987-88 out of total payments made out of state coffers to companies in the 12 EC countries.

In 1985-87 France tops the list of offenders by failing to inform Brussels of 37 per cent of the occasions on which French companies received aid. The comparable ratio for Belgium was 32 per cent, Greece 28 per cent, Spain 23 per cent, and Italy 16 per cent. Those with the best record for coming clean with the Commission are Germany, the UK, Denmark and Portugal.

According to Mr Peter Sutherland, EC Commissioner responsible for competition policy, Community governments are spending Ecu100bn each year in subsidies to manufacturing industry and agriculture.

Bonn coal production subsidies attacked

By David Goodhart in Bonn

IT WOULD be far more efficient to allow all West Germany's 155,000 coal miners to stay at home on full pay than to subsidise expensive domestic coal production to the tune of DM10bn (£3.1bn) per year or DM63,000 per employee, according to a report from the free-market Franfurter Institut.

The Institut proposes that instead of supporting German coal at DM270 a tonne the Government should buy two tonnes at the world market price of DM80 a tonne; one tonne could then be sold on to the utilities and the other stored for future emergencies. That would still leave a saving of DM110 per tonne to phase out the industry.

The lion's share of the 75m tonnes a year from German pits goes to the utilities and the steel industry. Both sectors are compensated by the Government for having to buy at least part of their energy needs at more than three times the world market price.

Under the *Jahrhundertvertrag* (century contract) the utilities are committed to buying domestic coal – 45m tonnes a year – until at least 1995. To cover the difference between the price of coal and the price of cheap imported oil the Government allows the utilities to levy an extra 7.25 per cent on electricity bills – known as the *Kohlepfennig*.

The *Jahrhundertvertrag* now costs about DM5bn a year. Compensating steel producers through the *Hüttenvertrag* (steelworks contract) will cost another DM4bn this year boosted by increased consumption of coal thanks to the steel boom. Another DM1bn is spent on social and investment support for the coal industry.

Although Mr Martin Bangemann, the previous Economics Minister, promised to reduce the *Kohlepfennig* to 4.5 per cent in 1992, the Government is about to raise it to 8.5 per cent.

However even 8.5 per cent is not enough to cover the difference between the price of German coal and world market oil so the Government is embroiled in complex negotiations on who should pay the difference.

The Government wants the big coal states – North Rhine Westphalia and Saarland – to pay most of the difference, while the states want the Government or the utilities to pick up the bill.

The Frankfurter Institut yesterday called for an immediate end to the *Hüttenvertrag* and no extension of the *Jahrhundertvertrag* when it expires. However opponents of liberalisation point to the political danger of having no effective strategic reserve.

European Commission proposals for an open market in energy – including electricity – will presumably come into conflict with the *Jahrhundertvertrag* before it expires.

European Community budget passes final hurdle

By David Buchan in Brussels

LORD Plumb, President of the European Parliament, yesterday signed the Community's 1989 budget of Ecus 44.8bn (£29bn) into law, hailing its timely adoption as marking what he described as the end of a long "budgetary cold war" between EC institutions.

For the first time since 1983 the Community has managed to pass a budget before it is due to come into force. Lord Plumb attributed this success to the special agreement negotiated last summer *between the Council of Ministers* (EC governments), the Commission and Parliament, setting a five-year spending framework up to 1992.

For once the process worked like clockwork, winding up with the European Parliament's final vote of approval yesterday.

The 1989 budget marks two other watersheds. Farm spending is reduced in absolute terms for the first time in Community history, and will fall to below 60 per cent of the total budget for the first time since the 1960s.

The Parliament yesterday voted to channel some of the farm spending savings – due to higher world prices and thus lower export subsidies – into more food aid for the third world, for a 1989 total of Ecu460m.

IBM extends pact with EC

By William Dawkins in Brussels

INTERNATIONAL Business Machines, the world's largest computer manufacturer, has agreed to extend indefinitely a pact with the European Commission under which it promises to make available to EC competitors technical information about the way it connects elements of its systems together.

In return, Brussels has agreed not to carry out a long standing legal action against IBM for allegedly abusing its position as the computer company which sets industry standards other companies have to accept because of its dominant position in the market place.

IBM is thought to have about 70 per cent of the European market for computer hardware, *software and services. Almost* every large European company uses some IBM equipment and with the current trend towards integrating equipment into networks, competitors can be at a disadvantage if they cannot show their equipment will *replace or connect* easily to IBM's.

Commission officials said yesterday's accord also tightens up the existing arrangement between IBM and Brussels, which was due to expire at the end of the year.

Under the present arrangement, IBM can unilaterally give a year's notice if it wants to re-impose the old ban on allowing competitors access to technical information needed to design products that could work with or replace IBM machines. The new arrangement obliges the US group to *consult the Commission before* considering any such move, as well as to continue its existing regular contacts with Brussels.

"That is a common courtesy we would extend to the Commission in any event," said IBM.

This sets the seal on one of the Commission's longest and at times most controversial campaigns to improve free competition in the EC. Brussels began an inquiry in 1973 into complaints by IBM's competitors that they could not make compatible machines because IBM withheld so-called "interface" information.

Brussels did not issue a formal statement that IBM was contravening EC competition rules until 1980. IBM finally agreed to release such data four years ago, in return for which Brussels offered to suspend *its threat of pursuing a* court action that could have led to huge fines.

Unions plan Philips strike

UNIONISED employees at all 10 Belgian plants of Dutch electronics group Philips plan to strike next month to protest against job cuts, company and union officials said yesterday, *Reuter reports from Brussels.*

Philips Gloeilampenfabrieken has said it will axe 810 of the 1,210 jobs of its subsidiary in Leuven, east of Brussels. The cuts would reduce the total workforce in Belgium to 16,000.

"It is absolutely irrevocable (that they will be laid off)," the company said.

Employees have occupied two floors of the plant in Leuven, which includes its research and development centre and computer room.

A trade union representative, speaking from the occupied *plant, said the trade* unions involved had decided unanimously to go on strike.

EC sets up technology ventures fund

By William Dawkins

THE European Community's 12 research ministers yesterday earmarked a total Ecu 621.5m (£404m) to subsidise a wide range of cross-border technology ventures between now and 1992.

They include Ecu 35m for a scaled down version of a controversial European Commission plan to back collaborative research between the EC's top nine aircraft makers. It covers advanced materials, ultra efficient engines and hypersonic flight among other new aeronautics technologies.

This is the first Community backing for the sector and could add to US anxieties over the extent of public subsidies for the Airbus project, some national officials fear. Mr Karl-Heinz Narjes, the Industry Commissioner, has lobbied forcefully for the scheme precisely on the grounds that Europe badly needs help to keep up with the US aircraft industry's growing research efforts.

The Commission sees the scheme as a pilot phase for a much larger project, possibly worth well over Ecu 1bn, for the early 1990s, say officials. The EC aeronautics plan comes despite the reservations of Britain and Denmark, which feel the Commission has no business subsidising a heavily state-backed industry, and Ireland, which fears the defence spin-offs might compromise its neutrality.

Belgium and Spain had also questioned its validity, but swallowed their objections when the Commission offered nearly to halve its original Ecu 60m demand.

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EUROPEAN NEWS

Palme murder suspect to appear in court

By Robert Taylor in Stockholm

A 41 year old Swedish man will appear in court today in connection with the murder of the country's Prime Minister Olof Palme in 1986.

Swedish prosecutors, convinced they have their man, asked a Stockholm court yesterday to remand him in custody. "Prosecutors have made an application to the court for the man's remand. He will appear in court on Friday," the Stockholm District Court said yesterday.

The hearing is likely to be held behind closed doors, although a final decision had yet to be made.

The name of the suspect was also released by the court but cannot under Swedish law be published.

The 41-year-old man, who has a long record of criminal violence including the brutal killing of a youth with a bayonet, was arrested in his flat in Stockholm this week in the northern suburbs of the Swedish capital.

Commenting on the results of their interrogations of the suspect the chief prosecutor Mr Axel Morath said "I believe we have got, the murderer now".

Remand is the first stage in the Swedish legal system which involves a court hearing. If the application is approved, prosecutors have 14 days to bring formal charges, or come back to court for an extension. An unlimited number of extensions of remand can be approved, though the court can order a suspect's release if it considers the evidence insufficient.

Olof Palme: unlikely victim

Over the past two days there has been a quite extraordinary outpouring of information in the Swedish press about the man, who is suspected of having murdered Mr Palme as he was walking through a street on 28 February 1986.

Sweden does not have trial by jury. If he is to face formal charges he will be tried in front of legal experts in court. Through his lawyer he has said that he is innocent of the murder.

Italian toxic waste shipped from Lebanon

ABOUT 8,000 barrels of Italian toxic chemical waste dumped in Lebanon will be shipped to the Italian port of La Spezia, the city council said on Thursday, Reuter reports from La Spezia.

Mayor Bruno Monterfiori said the council had agreed to an Italian government request to allow the consignment to dock on condition that the nature of the waste was identified and that it did not stay in La Spezia longer than necessary.

The waste was found north of Beirut in June on the Kesrouan coastline after it had been unloaded from a Czechslovak freighter.

"We cannot shirk the responsibility we have been asked to assume," Mr Monterfiori said.

The Italian government agreed in the summer to remove illegally-dumped chemical waste from Lebanon and Nigeria after strong protests.

South loses out as Italy boosts jobs in industry

By John Wyles in Rome

AFTER five consecutive years of economic growth, Italy's manufacturing sector has at last started to create new jobs in a visibly brightening employment picture whose dark side remains, however, the stubborn failure of the Mezzogiorno to share in the emerging national recovery.

A study published yesterday for the Ministry of Labour demonstrates that employment has become one of the most vivid indicators of Italy's "two nations" problem. Between 1984 and 1987, the national labour force has increased by 730,000 – 660,000 of the new entrants being women – while in the south there has been a net loss of 50,000 jobs.

Unemployment in the region is still rising steadily and stands at 20.3 per cent, while the centre and north of the country has enjoyed a 0.5 percentage point decline to 7.9 per cent. The total number looking for work in the Mezzogiorno has risen by 450,000 in the three years to 1987 and 300,000 of these are in the 14-29 age group.

These statistics are an uncomfortable qualification to what in national terms has seemed a much more encouraging year. According to the Ministry's report, at least 300,000 new jobs have been created in 1988 and a further 200,000 are expected next year, assuming a 3 per cent growth in gross domestic product. Though this job creation has been largely accomplished by Italian service industries, the report has also identified the first increase in industrial employment this decade.

Mr Renato Brusetta, manager of the study, said yesterday manufacturing industry was working close to full capacity and further growth in national output would require new investment in plant and employment.

This is one reason why Italian businessmen and forecasters are challenging the assumption about Italian growth in the latest OECD report. The OECD expects that the 12.04 per cent national unemployment rate will rise in the second half of next year.

Danes sharply divided over devaluation

EC integration and the domestic bond market fuel the debate, writes Hilary Barnes

MR Poul Schlueter, Denmark's Prime Minister, made it crystal-clear as long ago as 1982 that no government of which he is head will use exchange rate changes as a policy measure. But despite such words the spectre of devaluation refuses to be exorcised from the Danish policy debate.

It is not just the serious basic economic problems which make some economists and bankers think that in the end the problems will not be solved without a devaluation. Two other factors are currently agitating the "devaluationists", the bond market and the problem posed for the completion of Europe's internal market by the very high levels of indirect taxation in Denmark.

Opinions, however, are sharply divided. What is probably the majority school of thought accepts that membership of the EMS, combined with the abolition of foreign exchange controls, has eliminated devaluation as a policy instrument. Neither Denmark's partners in the EMS nor the CAP (which determines the value of the "green krone") will countenance a unilateral Danish devaluation, they say.

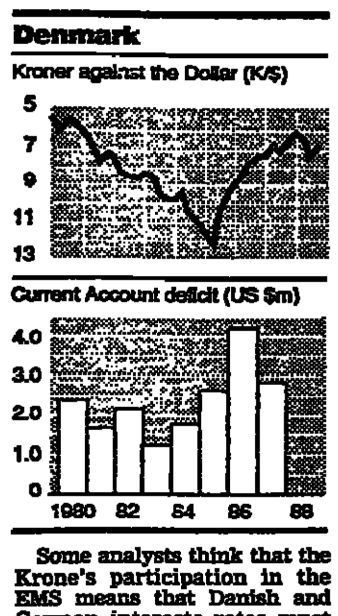
Besides, opponents add, devaluations have never worked well in Denmark in the past, leading only to more inflation and higher interest rates. However, the devaluationists also have some good arguments, starting with the over-valuation of the Krone.

By several of the indicators used by the IMF to measure "real" exchange rate changes, the Krone has appreciated since 1980 by more than any currency except the Yen, a perverse development for a country with a net foreign debt of about kr270bn (£21.8bn), some 40 per cent of the GDP.

The country is now heading for its third year with little or no increase in production. Unemployment, running at a seasonally-adjusted rate of 8.9 per cent, is rising fast, and although the current account deficit has fallen from kr35bn in 1986 (when it was 5.2 per cent of GDP) to kr9.5bn in the first nine months of this year, little further improvement is expected in 1989, with rising interest on the foreign debt cancelling out an improvement in the trade balance.

The bond market has been a gold mine for foreign investors in several periods since 1982, as investors could move in when yields were high, prices could only go one way – up – and there was no danger of devaluation to wipe out profits.

The past year has been one of the gold-mine periods, but all good things must have an end. For years there was a yield gap of 6-7 per cent between Danish and German bonds. The gap is now less than three per cent.



Some analysts think that the Krone's participation in the EMS means that Danish and German interests rates must eventually meet. They therefore think that it is still advantageous for foreign investors to buy. So far they have been right.

But other analysts think that the interest gap cannot be narrowed any more, and some think that foreign investors are faced with a reversed one-way bet: they can't lose by getting out now. And if the foreign investors decide to get out, this could precipitate a devaluation.

There are also devaluationists who have an answer for what happens if the government, faced with an unrelenting recession, rising unemployment, "sticky" wages, and a run on the Krone, decides to ask its EMS and EC partners to allow it to undertake a substantial devaluation.

No problem, says one devaluationist. This would be just the opportunity which the EC countries need. They will agree to a devaluation, but only on condition that the Danes take effective action to eliminate the causes of the fundamental disequilibrium in the economy.

The conditions would include reductions in indirect taxes and concomitant measures to reduce public sector expenditure to release resources from over-staffed public sector services for the growth of export industries, plus measures to stimulate private saving

The indirect tax problem is this. If Denmark reduces its indirect taxes to the average levels of the Community, the Treasury will suffer a revenue loss of about kr40-50bn, or about one third of its total revenues from indirect taxes. If frontiers are opened in 1992 and taxes not adjusted, the rush to shop across the frontier in Germany will dwarf all previous records for the current account deficit. A substantial *devaluation could contribute to* the solution of this problem, say the devaluationists.

Not so, argues the Federation of Danish Industries, the main manufacturing industry organisation. Devaluation, by raising retail prices, would only make matters worse.

According to Mr Soeren Krohn, federation economist, there is a wonderful opportunity for Denmark to increase competitiveness by reducing indirect taxes substantially and reducing retail prices at the same time.

Transfer incomes (such as pensions and unemployment benefits) can be reduced in step with the fall in retail prices. Wages could also be reduced, or, at least, new claims could be avoided for several years, on the assumption that retail prices are reduced by several per cent a year as indirect taxes are lowered.

For the moment, the bond market is not behaving as if it believes the devaluationist arguments, and the government's success in getting the 1989 Finance Act through the Folketing in the shape it wanted will strengthen the market's faith in the government.

The next trip wire is the spring collective wage bargaining. If that can be cleared without any significant increase in wage costs over the next two years, the devaluationists may *(if they have put their money* where their mouth is) have to take their losses with a smile.

Bulgaria reshuffles leadership

By Judy Dempsey in Vienna

BULGARIA'S ruling Communist Party has announced a reshuffle of the party leadership during a two-day session of the central committee which ended in Sofia on Wednesday night.

The reshuffle suggests a cautious approach to economic reforms and continuing reluctance to introduce substantial changes in the political apparatus. The leadership style of 76-year-old Mr Todor Zhivkov, in power since 1954, remains unchallenged.

This was confirmed by dismissal from the central committee of Mr Chudomir Aleksandrov, who often criticised the party's resistance to economic reforms, and Mr Stoyan Mikhailov, a keen advocate of a more liberal press.

Last Monday, Mr Mikhailov was sharply criticised in Rabotnischesko Delo, the party daily, following an unusual article in his defence in a sociological journal.

This indicates greater disunity in the party over the pace of reforms than admitted.

One of the vacancies in the politburo was filled by Mr Ivanov Stoyanov, Minister of the Interior since 1973.

Although articles in the Bulgarian party press have criticised abuse of power and non-availability of passports, there is little indication that Mr Stoyanov intends to introduce sweeping changes, either in lifting travel restrictions or allowing independent movements to exist.

The second promotion was that of Mr Ivan Panev, the party boss in Sofia. This was largely expected, as party organisations in East European capitals are very influential.

On economic matters, Mr Zhivkov seems to have made some concessions to the more technocratic wing of the party. Mr Petko Petkov, 39, was promoted to candiate membership of the politburo. As president of the Biotechnological and Biochemical industry association, he is regarded as efficient.

He is joined by the relatively young 46-year-old Mr Stoyan Ovcharov.

Czechoslovakia eases visas for foreigners

By Leslie Colitt in Berlin

CZECHOSLOVAKIA will begin issuing visas on demand to Western tourists next month at the border with West Germany and Austria in an effort to improve its image in the West and boost tourist income.

The liberalisation comes 20 years after Czechoslovakia abandoned "instant" visas following its occupation by Soviet-led Warsaw Pact armies.

The Czechoslovak Embassy in Bonn said the border crossing point at Waidhaus near Nürnberg would issue visas to tourists on demand as well as at three crossing points in Austria.

Former Czechoslovak citizens would also be given immediate visas provided they presented papers showing they had been officially discharged from citizenship. Businessmen and journalists will still have to apply for visas ahead of time.

Czechoslovak consulates in the West have for several years issued visas for tourists at short notice.

The Czechoslovak Embassy said that more than 500,000 West Germans had been issued visas this year up to the end of October. Economic officials in Prague are now set on greatly expanding tourism

US DIALOGUE WITH THE PLO

Mr Shultz decides to take a little credit

By Lionel Barber in Washington

THE US decision to open a "substantive dialogue" with the Palestine Liberation Organisation is very much a personal demarche by Mr George Shultz, US Secretary of State.

Mr Shultz sought and obtained President Reagan's approval for the fundamental shift in US policy, but it is clear that this was a game plan drawn up and executed by the Secretary of State himself and designed to restore the traditional US role as peace-broker in the Middle East.

Throughout this year, Mr Shultz has sought to persuade Israel and other Arab countries to consider a revived US peace plan based around Israeli withdrawal from the occupied territories in the West Bank and Gaza Strip in exchange for peace. Simultaneously, he has tried to prod moderate Palestinians – and therefore, indirectly, the PLO – into explicit statements recognising Israel's right to exist and renouncing terrorism. The aim was to prepare the ground for some form of Palestinian representation at an international peace conference set up to settle the Middle East question.

It has been a thankless task. During two exhausting peace shuttles in the region, Mr Shultz found himself lashed by all sides. Many analysts said that US policy was bankrupt and only served to show how the Reagan administration was in Israel's pocket, after the collapse of the 1982 Shultz plan.

When, two weeks ago, Mr Shultz denied Mr Yassir Arafat, the PLO leader, a visa to the US to speak at the United Nations General Assembly, the criticism mounted still further. Only, the Israelis and the US Congress (including a round-robin from 68 Senators) applauded the decision – and therein lies the rub.

By securing his domestic political base in Congress and establishing, yet again, his loyal credentials with the Israelis, Mr Shultz was able to present this week's fundamental shift in US policy towards the PLO in the best possible light. His message: US consistency and pressure has paid off, and the last drop of moderation squeezed out of Mr Arafat and his colleagues.

One person who can be grateful is President-elect Bush. The tricky task of persuading Israel to deal directly with the PLO will fall to Mr Bush and Mr James Baker, his Secretary of State-designate; but the President-elect has been spared the delicate political judgment of just when to engage with Mr Arafat.

How far Washington is prepared to put pressure on Israel may not be the relevant question to ask. The very act of the US breaking a 13-year ban on dealing with the PLO, the organisation which Israel sees as its implacable enemy, turns up the heat, notwithstanding Mr Shultz's statement on Wednesday night that "the United States commitment to the security of Israel remains unflinching".

Israeli political leaders should consider, too, that US public opinion may not be quite as supportive as in the past. The stream of TV pictures documenting the Israeli crackdown against Palestinians in the occupied territories have taken a toll, not least in the American Jewish community. A sign of the change came the other week in Stockholm when five prominent American Jews met with Mr Arafat in a bid to persuade him to moderate his language.

It is far from clear, for example, that the Senate and the House would allow themselves to be pulled into an early confrontation with the Bush administration over a new Middle East peace initiative. The more likely attitude of risk-averse members is keep the honeymoon sweet.

Mr Shultz has probably made this calculation, thus showing a timing as good as Mr Reagan at his best. No wonder that the Secretary of State could allow himself the indulgence on Wednesday evening of breaking Washington protocol and holding his own press conference at the State Department at the same time as the White House put out its own statement. Having soaked up all the criticism these past few years, Mr Shultz thought it was time for a little credit.

Israel scrabbles for a policy

By Andrew Whitley in Jerusalem

ISRAEL'S leaders scrabbled yesterday to come up with a credible response to the US decision to open a dialogue with the Palestine Liberation Organisation.

Washington's dramatic change of heart washed away a central plank of Israeli foreign policy since 1975. Mr Shimon Peres, the Foreign Minister in the caretaker government, acknowledged that Israel was facing a new situation. In a remarkably candid remark to the state radio, he added: "It's a sad day, but we don't have a policy."

The Labour party leader, who has reluctantly accepted the finance portfolio in a new coalition, yesterday repeated an earlier offer of free elections in the occupied territories – to choose Palestinian representatives with whom Israel could talk. However, the offer was hedged around with caveats.

In a coded call to the PLO to call off the year-long intifada, Mr Peres said that elections could only be held after a period – months, not years – of peace and calm. He added that all those involved in violence would be excluded from taking part, whether as voters or candidates; at a stroke disenfranchising the roughly 20,000 Palestinians, many of them community leaders, who have seen the inside of an Israeli jail over the past year.

But the prospects of such elections gaining widespread acceptance within the emerging broad coalition government, never mind in the West Bank and Gaza Strip, are slim. Senior Defence Ministry officials said privately earlier this month that they could not imagine the conditions being created for such elections in the foreseeable future.

A cartoon in yesterday's Ma'ariv, a mass circulation daily, accurately captured the unflattering stance being adopted by Mr Yitzhak Shamir, the Prime Minister, in the face of the PLO's current diplomatic offensive which has moved faster, and with greater success, than most Israelis would care to admit. While Mr Yassir Arafat was portrayed as a scrawny bird emerging from the sands with an olive branch in its beak, the right-wing Likud leader was the proverbial ostrich with its head buried deep under the surface.

Published before the late night news broke in Israel, the cartoon's message was just as apt yesterday as it was the day before. Waiting for the storm to blow over, aides to Mr Shamir expressed a fervent wish that Washington would soon see the error of its ways.

"We hope the US will reach the conclusion by itself that this decision was not productive," said Mr Yossi Ben-Aharon, director-general of the Prime Minister's office.

Israel found itself yesterday in the lonely position of facing an unprecedented degree of international isolation over its government's adamant refusal to have anything to do with the PLO – isolation probably more acute even than during the 1982 invasion of Lebanon.

Both sides of the domestic political divide admit that it is a bad blow for Israel that the PLO has met the conditions for dialogue with the US stipulated in an agreement originally made by Mr Henry Kissinger to then Prime Minister Yitzhak Rabin, in September 1975.

Sweden excels as 'postman'

By William Dullforce in Geneva

MR STEN ANDERSSON, the Swedish Foreign Minister, yesterday disclosed details of his important role as a go-between in the indirect negotiations between the US and the Palestine Liberation Organisation.

At a news conference in Geneva he described himself as a "postman, but one who has written some of the letters". Now aged 65, he worked in the Swedish post office before starting his political career.

A crucial meeting took place in Stockholm on November 21 between Mr Khaled al-Hassan of the PLO and five US Jewish personalities. Mr Andersson acted as host but the two sides were left to pursue their own dialogue in the presence of two Swedish diplomats. At the end they asked the Swedes to write a summary of their talks, which they signed.

This summary became the so-called Stockholm document issued on December 7 after Mr Arafat's subsequent meeting with the five US Jews. Mr Arafat accepted the existence of Israel. It was the starting point for further wrangling with the US.

Andersson: mediating role

Mr Andersson had been in contact with the US State Department before and after the two Stockholm meetings, and during Mr Arafat's visit to Sweden, learnt exactly what the US wanted publicly from the PLO as a condition for US-PLO negotiations, namely an explicit recognition of Israel's right to exist, renunciation of terrorism and acceptance of UN resolutions 242 and 338.

Mr Andersson, who realised Sweden could play a mediating role after his visit to Israel, Jordan and Syria in March, admitted that at first he was disappointed with Mr Arafat's speech to the UN General Assembly on Tuesday. "We could not decide whether everything was there. On analysis we found that it was all there but split up and expressed in other words than those used in the Stockholm agreement."

Active Swedish diplomacy on Wednesday, during which Mr Andersson twice met Mr Arafat, talked to Gen Vernon Walters, US ambassador to the UN, and had direct contacts with the State Department, led Mr Andersson himself to spell out in his own speech the three points to which the PLO had agreed.

Finally, at his news conference on Wednesday, Mr Arafat said he accepted all Mr Andersson's points and read out his own statement in English containing commitments to the three conditions.

Cairo relishes its return to the Middle East forum

By Tony Walker in Cairo

SATISFACTION among Egyptian officials at the US decision to open the door to a dialogue with the PLO was almost palpable yesterday. Egypt believes – and there is some justification for the belief – that it played an absolutely critical role in bridging the gap between the PLO and Washington in weeks and months of patient diplomacy.

Officials revealed that not only had President Hosni Mubarak written a long letter to President Reagan urging support for PLO moderation immediately after the Algiers meeting of the Palestine National Council last month, he had also sent three messages since last weekend to his US counterpart along the same lines.

Egypt argued that the cause of moderation in the Middle East would have been harmed had the US had continued to refuse to acknowledge the shift in the PLO position. This was the gist of a telephone call made on Wednesday by Mr Mubarak to Mr George Shultz, the Secretary of State, shortly before the US announced it would open talks with the PLO. "This is a significant American contribution to the process of achieving a comprehensive and durable peace in the Middle East," Mr Osama al-Baz, senior adviser to Mr Mubarak, said yesterday. "It will lead to an improvement of ties between the American people and Arab states." He added that the decision would "maintain the moderate and positive line within PLO ranks".

The US decision is also seen in Egypt as having significant implications for inter-Arab relations. It is regarded as a further vindication of Egypt's strategy of making and holding to peace with Israel. Mr Tahsin Bashir, a former senior Egyptian diplomat, said that Mr Mubarak had been successful in implementing the Sadat policy (of making peace with Israel) without alienating anybody in the Arab world.

Effective US recognition of the PLO as spokesman for the Palestinians and Egypt's role in bringing that about is likely to add fresh impetus to efforts to draw Cairo formally back into the Arab fold. Iraq, Jordan and the Gulf States are leading a strong push to restore Egypt's Arab League membership suspended in 1979.

Only Syria, Libya and Lebanon have not restored full diplomatic relations with Cairo following a decision of the Amman Arab League summit in November, 1987, to allow Arab states to restore ties. Intense mediation efforts, spearheaded by Jordan and Saudi Arabia, are under way to promote a reconciliation between Egypt and Syria in advance of a proposed Arab summit in Riyadh early next year.

The US decision also strengthens and makes more credible a newly-emergent "moderate" Arab axis in the Middle East involving Egypt, Jordan, Iraq and the PLO. Syria, which has been growing increasingly isolated in Arab forums, will not have taken much comfort from the US decision. It is also a blow to Syrian-backed radical PLO factions in Damascus who have been attacking the moderate Arafat line as counter-productive.

Egyptian officials say that the US decision marks the start of a process whose successful conclusion is by no means assured. Nevertheless, the US abandonment of its refusal to talk to the only seriously acknowledged representative of the Palestinians opens up fresh possibilities in the wake of the freeze in the peace process that existed before. "I myself predict and look forward to a wider dialogue on a large front, in multiple places," Mr Ashraf Gorbal, a former Egyptian ambassador to Washington, said yesterday. "Once you start down this path, you can't stop or turn back."

OTHER OVERSEAS NEWS

Baluchistan test for Bhutto

By Christina Lamb in Islamabad

MS BENAZIR BHUTTO, Pakistan's new Prime Minister, is facing her first political squall after the governor of Baluchistan dissolved the newly elected provincial assembly only 10 days after it first met.

Ms Bhutto's claims in the National Assembly that she had not been consulted caused uproar. Opposition leaders accused her acting undemocratically to keep an ally in power in the province before walking out in protest. All the opposition parties have said they will boycott the rest of the budget session.

Political analysts have been predicting a crisis in the province since the election of Mr Zafarullah Jamali as Chief Minister.

Proposed by Ms Bhutto's Pakistan People's Party, which won only five seats in the province, Mr Jamali, an Islamic Democratic Alliance member and caretaker chief minister of Baluchistan under the late President Zia ul-Haq, won only 22 votes, including that of the Speaker, while Baluchistan National Alliance leader Nawab Bugti polled 21.

Mr Jamali has been trying to woo the Jamiat Ulema Islam (JUI) which, with 12 seats, is the largest party. Talks with their leader broke down on Wednesday night, and Mr Jamali, knowing that he was unlikely to survive the vote of confidence the Constitution demands within 60 days, asked the Governor to dissolve the assembly.

The decision was taken in the early hours of yesterday. Despite the opposition's allegations of Ms Bhutto's interference, the Governor, Gen Mohammed Musa, said yesterday: "I neither informed nor consulted the Prime Minister or President. I acted strictly according to the Constitution which says when a Chief Minister makes such a request, the Governor must comply."

He admitted it was a "drastic action" but said it was necessary because "Jamali's government would have been weaker than a piece of paper."

Although Baluchistan contains only 5 per cent of Pakistan's population, the tribal dominated province has often been able to create problems for central government.

The cost of political brutality to Sri Lankan families

David Housego finds death on a most beautiful shore

THE BRUTALITY seems harsher because of the breathtaking beauty of this stretch of the coastline. On a palm-fringed, sandy cove where small fishing boats lie at anchor, the dead man remains tied to a post – his head slumped forward from the bullet fired into the back of his neck.

In spite of the already hot sun at 8.30 in the morning, none of the passers by have untied the ropes or removed the body to the shade. A note pinned above his head says: "Death is the penalty for betrayal." It is signed by the Peoples Liberation Front (JPV) the Sinhalese movement responsible for much of the terrorist violence in Sri Lanka in recent months.

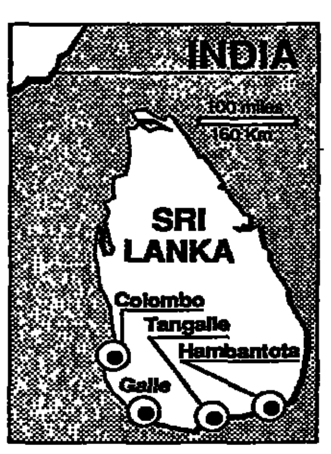
Mr Edgar Piyateleka, killed last night as a suspected informer, had eight children. His eldest daughter was in tears at the police station. She says the family had been planning to move to the north where a brother-in-law in the army had found them land.

But in the latest brutalisation of Sri Lankan politics, terror has also become a weapon of the armed forces, the paramilitary groups who work with them and of regional political bosses. A further 45 miles along the coast, just north of Hambantota, two more bodies have been dumped beside the main road for passers by to see – one shot through the face and the other in the neck.

The notice beside them says "Death is the penalty for JPV members who threaten the families of the armed forces."

Villagers in a house nearby say that in similar incidents the armed forces collect the bodies after a couple of days if the families have not claimed them by then. A passing ambulance slows down but accelerates immediately it sees the bodies.

In the town of Hambantota, one of the main centres of the south, a political leader says he believes that more than 1,000 JVP supporters have been killed in the area in the last few weeks since the security forces began their crackdown



on the movement.

Mr D.D. Herath, the senior government civil servant for the area, believes this figure much exaggerated. But he says: "I am told everywhere that these dead (JVP) bodies are restoring (public) confidence."

Until 10 days ago, he says, local government officials refused to report for work for fear of JVP threats to kill them if they did. But one morning the dead body of the man believed to be the JVP's intermediary in issuing such threats was dumped outside the government offices. Mr Herath maintains that this was the first step in breaking the JVP's hold and that now his staff are working enthusiastically.

Military and police officers, government servants, political leaders and doctors all agree that the JVP has taken a tremendous battering in the south – once their stronghold in the country – since the peak of their power in early November when they could easily paralyse the country. Shops are open everywhere, trucks and buses (many under armed escort) are moving down the roads, banks in Hambantota got their first replenishment in cash yesterday with a plane bringing rupees 3.2m, and JVP posters are far less common.

"The JVP can't do anything now," says Mr H. Wijisiri, party organiser for the Sri Lanka Freedom Party, the main opposition party, in Hambantota. "They have gone underground," he says. A senior policeman says "They are a spent force" in terms of their public image.

Such optimism is almost certainly premature. In the big sweep in the southern half of the country over the last six weeks, thousands of people have been taken into custody and hundreds killed – there are no reliable figures. Killings by different political gangs have added to the toll.

But Brig C.L. Algama, head of military operations in the south, concedes that they have found few of the 2,000 shotguns and 80 automatic weapons that the JVP is known to have lifted in recent months from government arms depots. They also do not appear to have laid their hands on the movement's main leaders.

The combined brutality of the JVP and government-backed military and paramilitary forces has left villages in the south in a state of shock.

"Everybody here lives in fear," said a doctor yesterday. Outside a lawyer's office in nearby Tangalle, a pathetic crowd of people waited for help on how to get news of sons who had disappeared in police round ups.

In terms of next Monday's presidential election, the much weakened grip of the JVP means they are much less able to enforce their call to boycott the election. The surprise on Monday could be a high turnout and a strong anti-government vote in the south. Officials in the area believe Mrs Sirimavo Bandaranaike, the SLFP candidate will win.

Both government officials and security officers maintain they have put in place the machinery needed to ensure that voting will be fair. But a free vote remains an abstraction in an area where bodies are dumped by the roadside to warn people of the perils of making enemies. What is still impossible to know at this stage is whether the killer squads – not only the JVP but those of the paramilitary forces and the political bosses – will be at work in the run up to the election so that people vote according to the dictates of fear.

Gurkhas settle for hill council

By K.K. Sharma in New Delhi

A VIOLENT separatist movement by Gurkhas settled in the tea-growing Darjeeling district of West Bengal came to an end yesterday when elections were completed to a hill council agreed to by them as a compromise.

Although the Gurkhas, led by Mr Subhas Ghishing, a former Indian army sergeant, never sought secession as had the Sikhs in Punjab, their two-year-long agitation for a separate state carved out of Darjeeling district had the same ingredients of violence and terror.

Nearly 200 people were killed during the agitation, which brought tourism to the popular hill stations of Darjeeling to a halt and seriously affected the economy of the area. The demand for a separate state was rejected both by Mr Rajiv Gandhi, India's Prime Minister, and Mr Jyoti Basu, the marxist Chief Minister of West Bengal.

Mr Ghising's initial refusal to accept anything short of a separate state gradually gave way to talks on a compromise when he found his movement falling into the hands of extremists. He finally agreed to the formation of a hill council for the district where the Gurkha settlers are in a majority.

The agreement on the compromise was signed in August, 1987, and was then hailed as heralding a way out for similar separatist demands made by minority communities in many parts of India. the hill council has few powers but goes some way towards satisfying the political aspirations of the local Gurkhas.

In results of the elections announced yesterday, Mr Ghising's Gurkha National Liberation front won 23 out of 26 seats in the 42-member council. The rest of the members will be nominated.

Botha overruled

The South-West African Supreme Court has overturned President P.W. Botha's order to halt the trial of four soldiers accused of beating to death a black man, AP writes from Johannesburg. He had relied on a law that if he determined members of the security forces acted "in good faith" to combat terrorism they could not be brought to trial.

Bureaucracy blights China's steel industry

Inefficient transport and production have created a crisis, reports Colina Macdougall

UNBELIEVABLY, China – which this year has suffered one of its worst steel shortages ever – keeps 27m tonnes of the stuff, about 40 per cent of its annual output locked up in warehouses which it unbolts only twice a year to allow desperate end-users to take their ration.

The stockpile has crept up annually from about 20m tonnes in th early 1980s, and is now consuming yuan 16bn (£104bn) each year in storage costs. Why? because the bureaucracy in charge, China's Storage and Transportation General Corporation, is normally only prepared to move materials every six months or so.

Hoarding aggravates the problem. The Ministry of Materials and Equipment alone was said to have 2.5m tonnes of steel products in store. Enterprises do the same, fearful in case they run out in times of shortage.

This has sent prices into orbit. Free market rolled steel (the surplus produced by plants which have fulfilled their government contracts) now sells at yuan 1400 per tonne or more, at least twice the state price of yuan 700. At an October trade fair for commerce officials in Peking, huge crowds gathered in the search for thin-rolled steel plate, round steel and wire rod.

"The gap between market prices and those set by the state offer a golden opportunity for profiteering," said China's Outlook magazine recently, echoing nationwide complaints about black marketeering.

Perhaps the most striking example of how the gap is exploited was the factory which simply sent the workers home and closed down for the year. The management kept everyone comfortably supported by selling the fixed-price state steel allocation at the market price.

Producing steel has been fraught with problems too. The year's total output is thought unlikely to meet the planned target of 59m tonnes. Besides the worse-than-usual energy situation, scrap steel needed for the steel-making process has been desperately short.

Steel plant managers have been shuttling round the country to buy enough scrap to keep the furnaces going. Even in normal times, China's use of scrap in steel-making is only about half that of the developed countries' average of about 500 kg per tonne, the China Daily explained. This year the ratio will be lower.

A fair bit of cheating has gone on. The Tangshan Iron and Steel complex bought 38 tonnes of scrap steel in September for yuan 230 per tonne, but found 80 per cent of it was bricks and tiles. "We really could not believe it," said Liu Jirui, one of the company's managers. He faced price rises every ten days, he complained, because most local scrap went to nearby Tianjin where sellers could get more.

By the autumn, Tianjin had become a key centre of the scrap black market and some of the dealers even obtained export licences. Steel plants all over China were suffering from these exports, desirable from the dealers' point of view for the foreign exchange and foreign goodies they generated, but damaging for steel production.

Even lawful exports of scrap rocketed with this years's decentralisation of powers to the localities. Li Xiaoguang from the Ministry of Metallurgical Industry pointed out last month that international prices for scrap were higher than China's domestic ones, so naturally the international market sucked in the Chinese commodity. "These local governments give foreign trade top priority," he said bitterly.

Pig iron got the same treatment. Half a dozen companies, for example, tried to export over 12,000 tonnes of ferro-sillicon and pig iron through Tianjin with forged export permits and bogus inspection certificates. In Guangdong trade officials were condemned by Peking for over-issueing iron export licences.

"Production of pig iron in China cannot keep up with steel production" Li Xiaoguang said, adding that this year's exports had led to a 35 per cent drop in stocks in January-June compared to the same months last year. And the steel plants can't afford the new price, which has doubled from yuan 260 to yuan 550.

In mid-November the ruling State Council announced new rules for steel trading which could, in theory, alleviate the situation. These include insistence that production plans be fulfilled, free-market trading regularised, ceiling prices enforced and consumption by poor-quality factories restricted. But this will not be easy to achieve in the China of today where wheeling and dealing has become a way of life, in part because of bureaucratic incompetence.

Party considers challenge to Lange

By Dai Hayward in Wellington

NEW ZEALAND Labour Government MPs will hold a special meeting today, to change party rules so that a challenge to the leadership of Prime Minister David Lange can be held before Christmas.

Mr Geoffrey Palmer, the deputy Prime Minister, said yesterday that the leadership issue would probably be decided at another special meeting of MPs next Wednesday.

He was confident Mr Lange would see off any challenge to his leadership. Mr Roger Douglas, the former finance minister, sacked by the Prime Minister on Wednesday, is the only one to challenge Mr Lange but he probably recognises he is unlikely to raise the support to beat the Prime Minister. He was hoping the vote would be delayed until February, allowing time for a stronger challenger to emerge.

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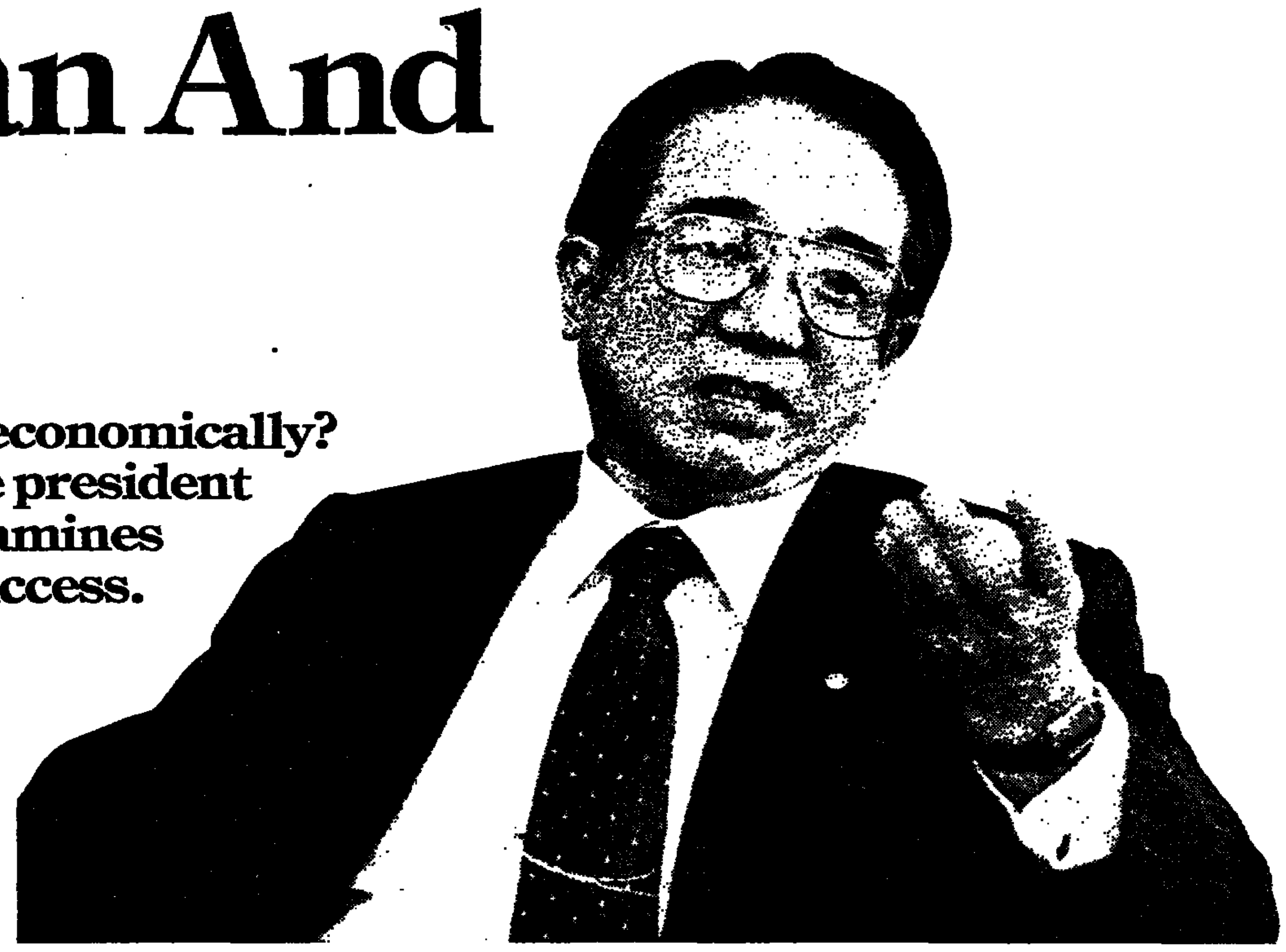
TOKAI BANK

A Heartland Banker Views Japan And The World

Why has Japan become so strong economically? Are there limits to its growth? The president of one of Japan's leading banks examines cultural influences on Japanese success.



Mr. Kiichiro Itoh,
President of The Tokai Bank Limited

In the heart of Japan lies the Tokai region. Centred on Nagoya, Japan's third largest city, the region is halfway between Tokyo and Osaka. Like most heartlands, it is known for its solid, steady conservatism. It was from this region that sprang the dominant force of Japan's medieval feudalism, the Tokugawa Shogunate.

The industrial structure of Tokai is characterised by the strength of its secondary industries, with high value-added assembling industries as their core. Tokai is moreover the home of some of Japan's major global companies, including Toyota Motor and Honda Motor.

The Tokai Bank is the only Japanese city bank headquartered in Nagoya. Tracing its origin as far back as to 1877, the Bank today has a worldwide network of 49 branches, offices, subsidiaries and related institutions.

In the Tokai region, conservatism blends easily with rationalism and internationalism. Kiichiro Itoh, President of the Tokai Bank, fits the same pattern. He has spent all his working life with the Tokai Bank, assuming the top position in June 1988 at the age of 59. Itoh, a classical music fan with a reputation for enlightened management, sets out his views on Japan's growth and its cultural roots, social changes and future outlook.

Economic Success

Itoh attributes Japan's successful modernisation and rapid growth to the driving desire of the Japanese since the Meiji Restoration in 1868 to "catch up and overtake" the level of the industrialised countries in the West. This driving force was renewed after World War II, as the nation found itself facing the enormous task of reconstruction.

The underlying factor of this driving force is the traditional work ethic of the Japanese. Itoh believes that the egalitarian society which grew from post-war democracy enhanced the traditional work ethic. Everyone had a chance to succeed, if one tried hard enough.

Strong work ethics prevail throughout the Sino-culture countries—China, Korea, Hong Kong, Singapore, Taiwan, Japan, etc. In Itoh's view, Japan's work ethic arose from necessity: The country is poor in natural resources and the Japanese have always felt that they wouldn't be able to survive without hard toil.

The Sino-culture countries have the Confucian values in common, strong family ties, hard work, and respect for education. This is what the East-Asian economic vitality manifests.

He views the Koreans as having an incredible capacity and will to absorb new ideas and technologies. Nevertheless, Korea, having huge conglomerates like Hyundai or Daewoo or Sumsung, has some features which are quite different from the Japanese economy. Korean decision making is much more of a "top-down" structure than in Japan, but he believes their economy will become more like Japan's in the future. For example, "Some restructuring of middle-level enterprises might stand to appear in the wake of the Seoul Olympics," says Itoh.

Furthermore, Itoh claims that the secret of Japan's success is the personnel system within companies; attitudes to people and the thorough training employees receive. "Companies like ours are in the last analysis run by the people, for the people. It is our attention to these details that probably makes Japanese companies strong."

As Japan attains higher and higher levels of technology and economic affluence, the Western economies that have long been its models offer fewer lessons. Itoh says the relative decline in the position of the West stems from its attachment of less value to manufacturing or creating new goods, an understandable view for a banker based in the Tokai region.

Itoh suggests that Japan's cultural roots are quite similar to those of North Europe. Both had feudalistic societies with two main characteristics—attention to basic education and an emphasis on manufacturing. "In the feudalistic society, one had to make good products for the livelihood of the group in a village. It was more important to be diligent than clever," says Itoh. This practical way of thinking underlay the Industrial Revolution and persisted in Europe until about 50 years ago.

Japan's New Generation

In the West today, it seems that the intellectual or the speculator who makes money is more highly respected than the man who makes things well and diligently. Itoh fears that Japan's new generation might adopt the same philosophical changes. He is also apprehensive about weakening family ties and the changing quality of education in Japan.

"The new generation which knows only of affluence is more individualistic. Maybe they have been influenced by the postwar education system and the nuclear family, which seems to make people more egoistical. They seem to have a peculiar way of adapting to situations. They don't throw their opinions at you and seem to be trying to adapt only half-heartedly to their surroundings. They only want to go halfway in involving themselves in the company."

Postwar education in Japan has made the school unit central to the child's identity. This has instilled a strong group awareness, and it is in this sense that postwar education is more "Japanese" than in prewar days. Students are not encouraged to think broadly or to have their own opinions. "The modern generation seems to be working a bit hesitantly because they don't want to be criticized for working too hard."

Despite this changed new generation, the Japanese economy is still likely to expand faster than its Western counterparts, as working hours are longer and people take very brief vacations. Itoh himself was able to take only four days last summer.

Internationalisation

Itoh believes that the Japanese economy is based on the fact that the country has no natural resources. Of necessity it has an export-oriented structure; for its economy to grow, it has to import and process materials and export finished goods. "If there were any sudden changes in the fundamental structures that are supporting the present economy, Japan would then be in trouble," points out Itoh. He, thus stresses the importance of the relationship between the manufacturing industry and technological development. "I don't think we could be self-sufficient by staying only with software development."

The sacrifices which have been forced on the manufacturing sector by the appreciating yen have been enormous. "When we look at automobile manufacturers or the consumer electric companies, we feel that they are really trying with their 'blood, sweat and tears.' It's like taking a dry towel and repeatedly trying to squeeze out some water. We wonder when they will reach their limit and I can't help thinking that the limit is very near. I am very worried about the blows the Japanese economy will suffer if the yen gets any stronger. So far, companies have managed to counter this negative influence by drastically streamlining their operations, expanding their sales and similar expedients."

Itoh understands the dilemma inherent in his thesis. While export-oriented manufacturing created today's prosperity, it has also brought about trade friction with Japan's trade partners. "We must try to aim for a harmonious growth. My idea of manufacturing includes information, housing, improving the social infrastructures, and everything linked to the expansion of domestic demand in order to avoid external friction," asserts Itoh.

Once Japan has done all this, he anticipates that in about three decades, the Japanese will enjoy one of the highest standards of living in the world in a real sense. Today, despite one of the highest per-capita incomes in the world, the Japanese have to endure a relatively low standard of living.

"Japan should open up more, become more international and do more to contribute to the world. I want it to become a much freer and more open, international society. Even though changing people's attitudes will take time, if we don't expedite the process, Japan could well become an international outcast. We need to look seriously at what we could do to start thinking like the rest of the world. Even something like the appreciation of the yen had to be forced on Japan by foreigners."

Itoh regrets that in the spiritual sphere, many feel a certain emptiness. "For example, we make excellent cars, everything is efficient and rationalised. But you don't find hand-made cars as you do in Europe or America. People work hard, but when they reflect on it all, they find that even though they have made money in some ways they still remain poor," laments Itoh. From the Meiji period a certain hardness entered the Japanese soul, according to him, as people came to feel backward and were determined to catch up.

Relocating Japan's Capital

One of the most controversial issues in Japan is whether to change the country's capital from Tokyo, which is overwhelmingly the predominant political and business centre. The government, major businesses, mass media, and educational institutions are concentrated in Tokyo. The capital's monopoly of virtually all important aspects of national life has resulted in immense distortions; due to prohibitive land prices, average workers no longer can hope to own their home near Tokyo, for instance. Thus, many argue in favor of shifting the capital elsewhere.

Itoh has been advocating moving the capital to Nagoya in recent debates. "Having too many things concentrated in Tokyo, is distorting politics, the economy and other social activities. We need to correct this. If there were to be a major earthquake, Japan's entire economy would become as a vegetable. There are sound arguments backed by statistics for suggesting that the central part of Japan is the most appropriate place for a new capital, but what upsets us is that some people like to believe that we advocate this area just because we ourselves come from Nagoya. Nagoya simply is most central in terms of access, population, and regional position," argues Itoh.

"The main point is to move the capital from Tokyo. The fact that the U.S. capital happens to be Washington is irrelevant. Major cities like New York, Los Angeles, Detroit and Atlanta compete with each other without any one having the unfair advantage of being the capital.

"I think the same could happen in Japan once the capital was relocated. Of course, Tokyo would remain strong. But it would no longer be the absolute power. What is essential is to avoid too much concentration in one single city, to the point where the others can't compete. It is important to develop each region evenly, through separation of functions. This way, we could also create a more human environment," concludes Itoh.

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AMERICAN NEWS

Canada strikes down law on French-only signs

By Robert Gibbens in Montreal

THE Supreme Court of Canada has overturned the law that allowed only French public and commercial exterior signs in Quebec. It has ruled that bilingual or French signs are legal under the province's Charter of Rights and the Canadian constitution, but that English signs are not permitted.

The Supreme Court struck down Article 58 of Quebec's controversial French Language Charter or Bill 101, passed by the separatist Parti Quebecois government in 1977 to protect the French language – in practice in multilingual Montreal, the province's economic hub. The law banned the use of unilingual English signs and of bilingual French-English signs.

The court's judgment, covering two cases involving commercial signs, was about 100 pages long. It was being studied by all governments and Quebec Liberal Premier Mr Robert Bourassa went on French language television within a few hours.

Mr Bourassa promised action early next week in the National Assembly to deal with the judgment. Most probably he will amend the wording of Article 58.

The judgment clearly recognises the right of Quebec to take legislative measures to protect the French language and to insist that French continues to be the most prominent language in exterior signs.

Some have suggested that exterior signs should be French only, while interior signs could use other languages. Mr Morton Brownstein whose shoe store chain has waited five years for a decision on bilingual signs, said anglophone businesses accepted that signs should be primarily in French, but because 20 per cent of Montreal's population is non-francophone, the businesses should have the right to post a similar proportion of exterior signs in English or other languages.

Leaders of Quebec nationalist groups in Montreal said they fully expected the Supreme Court decision but would probably postpone their planned street demonstration in favour of full protection for French until next week after Mr Bourassa decides what he will do.

But they would not guarantee that vandals would not go to work on store windows using English signs. Montreal police have already warned businesses to take steps against possible vandalism during the weekend.

Peru ruling party faces power struggle

By Veronica Baruffati in Lima

A BITTER power struggle between supporters of President Alan Garcia and those of Senator Luis Alva Castro is likely to dominate the 16th congress of Peru's ruling American Popular Revolutionary Alliance, which begins tonight.

Mr Alva Castro, a former prime minister, is bidding to become the next Apra secretary general against opposition from Mr Garcia, the party leader.

The three-day congress, to be staged in the revamped Apra headquarters in downtown Lima, will bring together 1,500 delegates, consisting of MPs, provincial mayors, various trades and professions, the Apra youth, and others.

The four areas to be discussed are political affairs, regionalisation, violence and terrorism, and party organisation and ideology. The congress will culminate on Monday with the election of the national executive committee.

Other than the president's inaugural address and the announcement on Monday night of the election of the new national executive committee, events will take place behind closed doors.

Internal power struggles within the party were accentuated on Tuesday by sharp criticism from Mr Hugo Otero, a close presidential adviser, that the congress was running the risk of "becoming a conclave of bureaucrats or potential bureaucrats defending their own interests. There will be no true social representation."

President Garcia has been losing support since September, and this attack has been interpreted as a last attempt to deprive the congress of authority. The president has already had congress postponed four times, in the hope of rallying more support, but this time it was impossible to sway the organising committee.

Many are betting that Mr Alva Castro will become the new Apra secretary general, and from that powerful position push for the dual role of Minister of Finance and Prime Minister, a role he played at the beginning of the Apra administration of 1985.

Argentina admits deal with rebel soldiers

By Gary Mead in Buenos Aires

MR Horacio Jaunarena, Argentina's Defence Minister, has confirmed suggestions by senior generals that the four-day rebellion by army units two weekends ago was resolved by an agreement between General Jose Dante Caridi, the army chief of staff, and mutiny leader Colonel Mohamed Ali Seineldin.

Mr Jaunarena said that while Gen Caridi and Col Seineldin disagreed on the methods used, "certainly they agree on the necessity of improving pay and the military budget."

Earlier this week all serving and retired armed forces personnel had their salaries raised by 20 per cent, with an additional $100 one-off lump sum payment to be distributed before Christmas. Mr Jaunarena did not go into details of the accord between the rebels and Gen Caridi.

These are reliably believed to include: an amnesty for officers now in jail or awaiting trial for human rights violations under the 1976-1982 military dictatorship; the resignation of Gen Caridi; and a reintegration of the armed forces into wider social esteem, against what the rebels have described as a "campaign of dishonour" conducted against the armed forces for their part both in the Falklands war of 1982, and also in the so-called "dirty war" of the late 1970's, carried out against widespread terrorist actions.

Gen Caridi added, at a ceremony promoting Gen Isidro Caceres, who played a crucial intermediary role during the insurrection, to head of the Second Army Corps in Rosario, that the agreement ending the rebellion "did not nor does not compromise the political authorities".

Chile's private pensions boom

Success may overwhelm the capital market, reports Barbara Durr

OF ALL THE free-market reforms of the Pinochet regime, the 1981 privatisation of the pensions system is likely to be its most far-reaching and lasting.

Today, the pension funds constitute the most significant element of Chile's national capital market and, according to the state Superintendent of Pensions Fund Administrators, Mr Juan Ariztia, they are providing pensions 1.7 times larger than in the old public system.

Despite the new system's improvement, critics say it dangerously outweighs the absorptive capacity of Chile's emerging capital market and that the state still bears an undue financial burden. They also say the system should be more socially equitable. If an opposition government comes to power next year, as is predicted, some changes in the system could be in store.

The private system covers 3m of Chile's 4.5m workers, or approximately 66 per cent of the labour force, about the same as the old state one. Salaried workers are obliged to belong to one of the 13 pension funds, which are managed by private companies known as Pension Fund Administrators (AFPs).

Workers contribute to the AFP of their choice, an average of 13.5 per cent of their wages, paying monthly a commission plus 10 per cent of earnings. Contributions to the old system averaged 25.8 per cent. Employers make the payments automatically out of salaries.

The state, however, continues to service the pensions of approximately 400,000 workers who did not switch to the private system because they were near retirement. Also, the armed forces remain in a publicly administered system.

The Government estimates that its social security burden will drop off substantially by the late 1990s, as those who have been pensioned die. None the less, the state's social security obligations, apart from the military, will continue.

In particular, the Government guarantees all workers a minimum pension, equivalent to the minimum wage. When contributions to a private pension fund are insufficient, the state is to pick up the tab.

AFPs now hold $3.3bn, or about 17 per cent of Chile's GNP, and they registered a 26.9 per cent growth rate in 1988, the fastest of any entity in the capital market. Comparatively, banking expanded just 1.6 per cent to $19.3bn and the stockmarket rose just 6.8 per cent to $5.6bn this year over last. According to Mr Santiago Bergueclo, chief of the financial division of the AFP superintendency, the AFPs' growth is so explosive that they will be the most critical source of savings in the future."

The real average profitability of AFPs has run in past years as high as 14 per cent and last year it was 9.7 per cent. This year real profitability will run an average 8 per cent, Mr Bergueclo said.

The AFP's have become so powerful that they single handedly determine medium and long term interest rates. They are the largest purchaser of government paper and crucial fine tuning of the economy, including the size of the internal debt and the budget deficit, is tied to them.

The relative size of the AFPs is, however, becoming problematic for the country's small capital market. Mr Francisco Perez, the financial director of Provida, one of the largest AFPs which is 40 per cent owned by Bankers Trust, says, "there is a mismatch. We have the pension system of a developed country and a capital market that is just developing." He believes that one of the most serious challenges for AFPs is to find sufficiently profitable ways to invest.

The AFPs have become so powerful that they single-handedly determine medium and long-term interest rates, one economist calculated. They are the largest purchaser of government paper and crucial fine-tuning of the economy, including the size of the internal debt and the budget deficit, are tied to the AFPs.

The superintendency worries that at present 92 per cent of the AFP's holdings are in debt instruments and only 8 per cent are in shares. It is currently proposing legislation to loosen investment rules for the AFPs to invest more in the stockmarket, real estate and mortgage mutuals. Investing outside the country has for the moment been discarded as a possibility.

Mr Jose Pablo Arellano, a leading opposition economist, says this is a case of the tail wagging the dog. "Everything is developed to meet the needs of those who have funds, not of those who need them. This is the reverse of what occurred in the United States and Britain

He believes that the outsized AFPs present additional risks for a financial crisis if the economy slips. This could be aggravated if AFPs move more into old assets rather than new productive investments.

There is sensitivity, too, about foreign control of the AFPs given their investing power. Apart from Bankers Trust, the US insurance companies Aetna and AIG own 51 per cent of AFP Santa Maria and 90 per cent of the AFP union respectively. The Japanese Mitsumori Shoji investment group also controls the AFP Invierta.

Mr Arellano also contends that the AFPs comparative advantages for individual workers may not be so real as apparent. The AFPs postponed the retirement age to 65 for men and 60 for women, which has permitted not only reduced contributions (over a longer working life) but also increased pensions (over a shorter retirement).

Under the old system, workers could retire after 30 years on the job, making their pensionable lifespan longer than under the new system.

The private system is considered still imperfect, with some tinkering yet to be done, according to AFP Superintendent Mr Ariztia. But despite the fears and criticism one thing looks sure: a return to a state system does not appear to be on the horizon.

High inflation threatens Brazil social pact

By John Barham in Sao Paulo

BRAZIL'S high inflation is threatening the future of a six-week-old "social pact" of government, workers and employers, itself created as a forum to negotiate a cut in inflation.

At a meeting in Brasilia on Wednesday, the pact's members set an inflation target of 24.5 per cent for January.

That target already appears as unattainable as December's 25 per cent target. Futures markets indicate inflation of 29 per cent for December and 31 per cent for January.

Signs of the pact's impending collapse led Mr Luis Antonio de Medeiros, a moderate trade union leader, to warn that "the workers' patience is reaching its limit." The pact had shown that "wage and price controls alone are not enough to reduce inflation."

The Government has promised to table new anti-inflation policies by next month. Mr Mailson da Nobrega, the Finance Minister, said a new indexation mechanism based on future expectations of inflation could replace the present one which reflects past price increases.

Venezuela launches $500m floating rate note issue

By Norma Cohen

VENEZUELA yesterday launched its largest international public securities issue, a $500m floating rate note intended to refinance $400m of existing bank loans and raise $100m in new funds.

The new Eurobonds, lead managed by Chase Investment Bank and arranged by Banco Mercantil of Venezuela, involve the sale of $100m of securities.

The remaining funds will be exchanged, dollar for dollar, for loans on the books of the 10 banks in the underwriting syndicate.

Venezuela, in exchange for substantial fees and slightly higher interest rates, will be able to extend the maturity of some of its bank debt, postponing obligations falling due shortly to repay principal.

While Venezuela has rescheduled its bank loans, it has always kept current with interest payments due on its foreign bonds.

The interest margin on the notes is substantially lower than the 1⅞ per cent charged on its previous floating rate Eurobonds launched in September. Venezuela launched two other Eurobonds in 1988, one a fixed-rate five-year $100m bond, the other a DM100m five-year bond.

The Eurobonds – set in three tranches with maturities of five, 10 and 15 years – carry interest at 1¼ per cent over London interbank offered rates (Libor), well above the ⅞ per cent spread carried on its existing bank debt and underlining the cost of maintaining access to international capital markets. The banks will earn management and underwriting fees of ⅞ per cent and the lead manager will receive an additional fee of ⅜ per cent.

They will not affect Venezuela's plans to raise $1bn through a private placement of securities backed by oil-export receivables.

Unlike many other Latin American debtors, Venezuela has rescheduled its debts only once since 1982 and is one of the few making repayments of principal.

Despite weakened external finances caused by falling oil prices, the country has scrupulously remained current on its loans. Venezuelan bank loans sold outright in the secondary markets earn little over 40 cents on the dollar.

WORLD TRADE NEWS

Brussels seeks more East bloc accords

By David Buchan in Brussels

THE European Commission is to ask EC governments for the go-ahead to start negotiations for trade and co-operation agreements with Poland and Bulgaria, as well as for a textile agreement with the Soviet Union.

In the past six months, the Commission has concluded trade agreements with Hungary and Czechoslovakia and held preliminary talks with Soviet officials with a view to beginning talks next year with Moscow on a wide-ranging trade and co-operation accord.

At the same time, however, the Commission announced yesterday the opening of a dumping investigation on exports to the EC of methenamine chemicals by five East European countries – Bulgaria, Hungary, Poland, Romania and Yugoslavia.

This follows a complaint by CEFIC, the European chemical industry federation, which has alleged that the margin of dumping on these sales has ranged from 10 to 35 per cent, with the result that prices on the Community market have stagnated despite a 30-40 per cent rise in raw material prices during 1983-87.

● The Commission said yesterday it would investigate dumping complaints against South Korean and Japanese exporters of photographic albums.

Caribbean states apprehensive of trade pact changes

Canute James reports on growing realisation of the pros and cons of preferential treatment

THESE ARE testing times for countries in the Caribbean Basin which have been struggling to increase their exports.

Most are beneficiaries of trade preferences offered by the European Community, the US and Canada, but there is more than a passing degree of concern in the region about impending changes to the trade pacts. More significantly, exporters and government officials alike, who accept the need for the trade agreements and happy for the benefits they bring, are questioning their long-term value.

Can these crutches be eventually withdrawn from economies which use them so they can become strong, or will they promote continuing dependence and be needed indefinitely?

Several Caribbean states are beneficiaries of the Lomé Convention, the trade and aid agreement with the EC, and of Washington's Caribbean Basin Initiative (CBI) and Caribcan – the Canadian counterpart, both of which allow duty free access for a range of products to the US and Canadian markets, respectively.

The Lomé Convention is being renegotiated. The new US Congress is to study proposals for improving the CBI. Many governments are unhappy with the structure of Caribcan and are asking for a review. These changes are taking place amid regional concern over the impact of the dismantling of barriers within the EC in 1992 and the effect this will have on their protected markets in the community.

There are also fears that the Canada-US trade agreement could erode benefits from the preferential programmes offered by both countries. "I would hope that we are not in danger of being overwhelmed by all these changes which are taking place," Mr Manuel Esquivel, Prime Minister of Belize, said at a conference in Miami to discuss Caribbean trade.

Belize is a beneficiary of the Lomé Convention, the CBI and Caribcan. "I think we are in danger of growing up. We are being bombarded from all sides by very significant and very complex developments in the developed markets and this if forcing upon us a position closer to centre-stage. I think we are coping and we are quickly learning what it is like."

By all indications, the trade preferences and the special and sometimes protected market access that they offer have not been reflected in the performance of Caribbean trade, particularly since the mid-1980s when the CBI and Caribcan were implemented.

Mr Spiros Voyadzis, chief of the World Bank's Caribbean Division, referred to a "paradox" in the region's trade patterns which have been dominated by a loss in competitiveness for the region. "The Caribbean has the CBI, Caribcan and Lomé, but despite this the region's share of the EC, US and Canadian markets has been reduced by 20 per cent between 1980 and 1986," Mr Voyadzis reported. "Some products are up, such as textiles, but primary products have fallen on all three markets despite the trade preferences."

While accepting that the trade preferences have not been failures, although they have not achieved as much as was expected, the donor countries suggest that had these special pacts not been in place the Caribbean would have fared much worse.

Mrs Donna Tuttle, deputy secretary in the US Department of Commerce, reported that the value of US merchandise imports from the Caribbean had fallen by more than one third since 1981, and by more than one quarter since 1984. "However, since 1983, petroleum and petroleum product share of the Caribbean's exports to the United States has declined from 55 per cent to 22 per cent," she said. "At the same time, however, the manufactures share has risen from slightly less than 17 per cent to nearly 38 per cent."

The proposed changes in the CBI, if approved by legislators in Washington, will double the lifespan of the programme from its original 12 years. But the region is unlikely to get key additions to the duty-free list such as garments and footwear, and which they have argued would bring quick and significant economic benefits.

US imports from CBI designated countries

Year	$bn
1983	8.73
1984	8.64
1985	6.68
1986	6.06
1987	6.03

Source: US Commerce Department

There is also some doubt that the fourth Lomé Convention will bring the increased investment flows for which the African, Caribbean and Pacific countries have been asking. But some Government officials are beginning to regard as more damaging to the region the planned changes in Europe and the US-Canada pact.

"New directions in US trade policy culminating in the trade bill and the US-Canada trade agreement as well as the decision of the EC to follow up the Single-Europe Act with a single European market by 1992, all call for a heightened sense of urgency from Caribbean governments in the face of the challenges that already confront them in their efforts to diversify and develop their economies," said Mr Ray Robinson, the prime minister of Trinidad and Tobago.

The worry in the region is that key exports to the EC such as sugar, rum and particularly bananas will suffer irreparable damage after 1992.

Equally, there is concern at the region's inability to read clearly the likely impact on its markets in the US and Canada of the trade pact. Exporters in the region do not have the economies of scale to compete successfully with US goods on the Canadian market, and could lose the foothold they have gained through Caribcan. But the Caribbean should be able to hold its own in goods which are not produced in the US such as tropical fruit and vegetables and rum.

The exporters feel, however, that US and Canadian efforts to improve both the CBI and Caribcan will be either diverted or diluted by increasing attention in Ottawa and Washington to the trade pact.

Mrs Maria Liberia-Peters, the prime minister of the Netherlands Antilles, has offered one possible, if dramatic, solution for the Caribbean. "Let us tell our powerful neighbours to the north even before the ink is dry on their historic document: 'Let us join with you. We are your neighbour to the south-east. Let us create one economic free trade zone from the Yukon down to Curaçao.'"

There is little argument in the region that the weak economies need the trade preferences and the protected markets if they are to grow.

There is also increasing awareness that with growing international pressures for the dismantling of trade barriers and a reduction of protectionism, the region could soon be forced to stand on its own wobbly legs. "We still want assistance to get our infrastructure in place," said Ms Eugenia Charles, Prime Minister of Dominica.

"Once we do that we will be able to say goodbye to assistance. None of us wants to be aid-getters for the rest of our lives. The only reason for giving us assistance is to enable us to stand on our feet. Nobody owes us a living."

US acts against Japan on air tickets

By Stefan Wagstyl in Tokyo

A US-JAPAN trade dispute has appeared out of the blue over the sale of airline tickets, just as the two countries try to maintain calm over the much bigger issues which divide them such as macro-economic imbalances and agricultural policy.

The US Transportation Department said on Wednesday it would ban Japan Air-lines from issuing flight tickets via computerised systems throughout the US.

The move was made in retaliation for JAL's persistent refusal to co-operate with Apollo, a booking system which United Airlines, a US carrier, is trying to expand. JAL is refusing to allow Apollo to handle JAL bookings in Japan. JAL wants to channel bookings through its own system called Axess.

United filed a complaint with the US Transportation Department in June claiming that JAL's refusal to allow tickets to be sold through Apollo was unfair. The Transportation Department has now agreed.

JAL, which has 21 days to file an objection, said it would go to the US courts if necessary.

Canada Opposition delays trade bill

THE Canadian Government has re-introduced legislation to implement the free trade agreement with the US, writes Our World Trade Staff.

The bill was immediately the subject of delay tactics by the Liberal and New Democratic Opposition. The government of Mr Brian Mulroney won the November 21 federal election with a campaign that revolved around the agreement. Mr John Crosbie, Trade Minister, said he hoped the deal could be in place by the end of the year.

● President Reagan has signed a proclamation to implement the provisions of the US-Canada accord cutting tariffs and duties.

Bush speaks out over agricultural subsidies

MR GEORGE Bush, the US President-elect, yesterday conceded that it was hard for some US trading partners to overhaul their farm programmes and said progress in trade talks might be made towards an accord falling short of US goals, Reuter reports from Washington.

Mr Bush said he realised that the European Community and Japan found it difficult to accept the Reagan Administration's "Utopian" demand that all trade barriers and almost all agricultural subsidies should eventually be eliminated. But, he said, progress towards a negotiated agreement could be made in the Uruguay Round of the General Agreement on Tariffs and Trade, which broke off last week with the US and the EC at odds over agricultural reforms.

He said: "Yes, we aspire to a world with no controls, if we could ever have that, in the Utopian sense." We realise this causes great difficulty for the Japanese and for the Europeans. So somewhere short of that, though, we can make progress."

It was not clear whether Mr Bush meant to indicate that when he assumed office on January 20 he would back off President Reagan's demand that members of Gatt agree to scrap all farm subsidies which distort trade.

Mr Bush said he did not expect to have a trade war with the EC. "We're dealing with friends, we're dealing with allies, we're dealing with reasonable people."

Jakarta to pursue power plan despite World Bank criticism

By John Murray Brown in Jakarta

PLN, Indonesia's heavily debt-ridden state electricity utility, is to go ahead with development of the 1,600-megawatt Paiton power station, despite the fact the World Bank has threatened to withdraw funding for the project.

A consortium led by Sumitomo of Japan has signed a letter of intent, while talks with the World Bank remain bogged down over demands for an increase in PLN's domestic electricity tariff.

The project, which is sited in East Java, is for the first two 400 MW power units, worth around $300m (£164m). Combustion Engineering of the US is to build the boilers using a $80m US Export-Import Bank credit in joint venture with PT Pal, the state-run shipyard at Surabaya. A Mitsubishi-led consortium, which included the Canadian subsidiary of US boilermakers, Babcock & Wilcox, was also competing.

PLN is looking at ways to finance the scheme. The World Bank argues for higher electricity rates at a time when PLN's budget, like other state companies, is cut because of Indonesia's falling oil receipts. The bank insists PLN provide an economic return for an investor, particularly under build-operate-and-transfer financing, where lenders recover costs by charging consumers for electricity.

The bank points out that PLN tariffs, at about 5.7 cents per kilowatt, are lower than Singapore, the Philippines, Thailand, Malaysia, Taiwan, and South Korea. The Government, however, remains concerned at possible public reaction to a rates rise, with the salaries of the 4m civil servants now frozen for three years running, and with inflation at 9 per cent.

PLN's tariff is likely to be linked to the pricing of the gas supply for Paiton, from a field developed by Atlantic Richfield off Bali. Atlantic Richfield's gas is also destined for the nearby Gresik power station expansion recently put out to tender.

World Bank approves Algerian farm loan

By Francis Ghilès

THE World Bank's board has approved a $110m (£60m) loan to finance Algerian farming. This is part of a $220m co-financing deal, half of which is being provided by the Export-Import Bank of Japan.

The maturity of the loan is 15 years with a grace period of five years. The loan is part of the World Bank's increasing activity in Algeria which, over the past few years, has focused on helping to develop water resources and agriculture.

Reforms aimed at boosting production on the land have been implemented since 1985 with large price increases granted to producers of cereals, dairy products, meat, vegetables and fruit. Meanwhile 3,000 state farms have been sold to private individuals while others have been let to private co-operatives on long leases.

The board of the World Bank is expected to approve, early in 1989, a further loan amounting to $58m to help Algeria fight what has been, this year, the worst plague of locusts for 30 years. Until now, Algeria has been buying sprays and equipment needed for its anti-locust campaign on commercial terms.

The World Bank has loans worth $2.14bn outstanding to Algeria. Loans worth $371m were extended in the fiscal year to July 1988 and a further $400m could be arranged in the 12 months to July 1989. However, because of a bunching of repayments on earlier loans, Algeria is a net repayer to the Bank this year.

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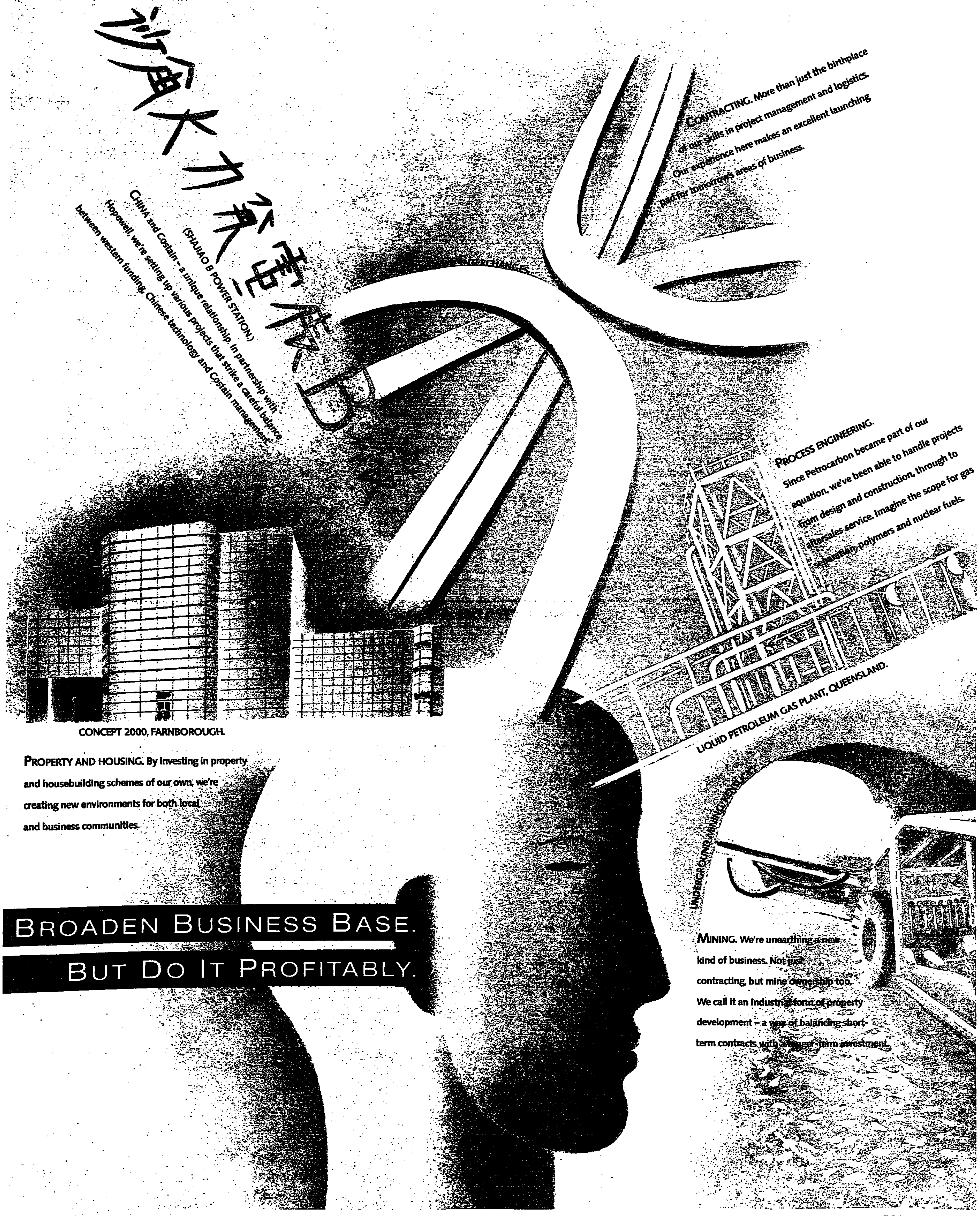

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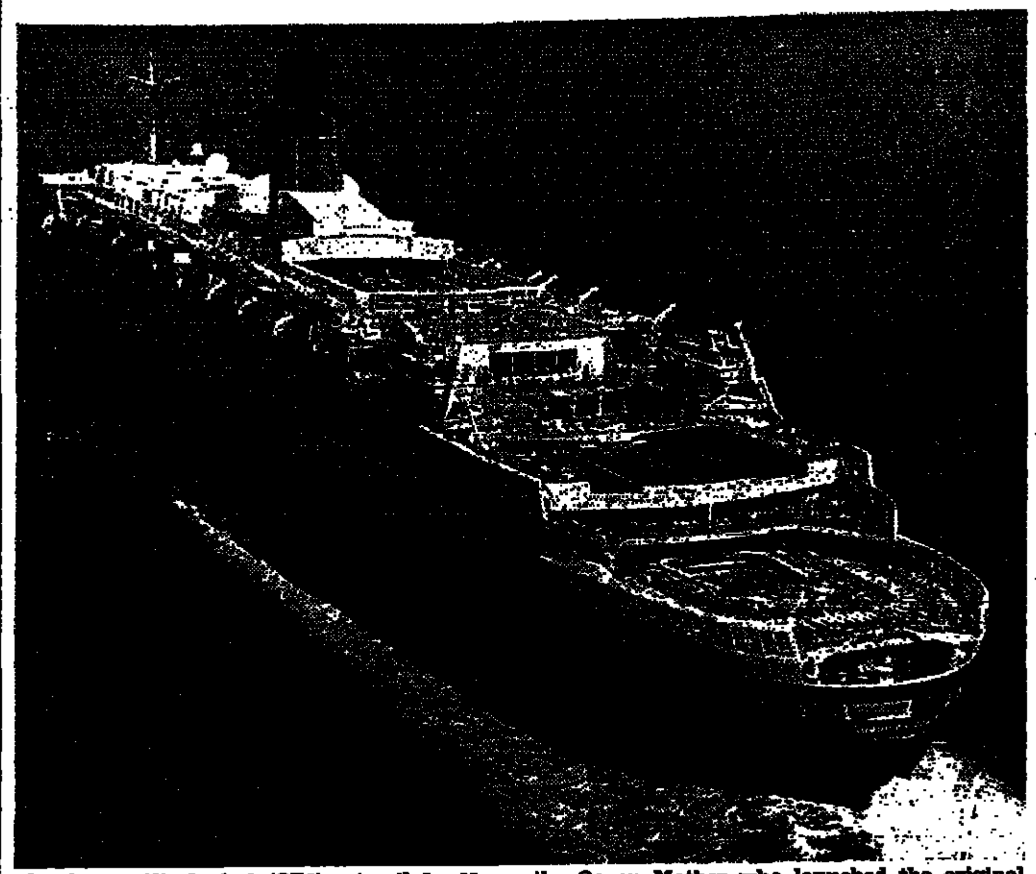


The Queen Elizabeth 2 (QE2) set sail for New York yesterday on the 50th anniversary of the launch of her mother ship, the Queen Elizabeth. The occasion was celebrated in Southampton earlier this week at a lunch presided over by the Queen Mother who launched the original luxury cruiser. The round South America and Circle Pacific cruise has the most expensive accommodation afloat, at £84,770 for two in the Queen Elizabeth or Queen Mary suites.

Shoe makers call for import curbs

By Alice Rawsthorn

AFTER months of intense competition from increasing imports, the beleaguered British footwear industry is lobbying the European Commission for the introduction of restraints on imports of footwear from the Far East.

The British Footwear Manufacturers' Federation (BFMF), the trade body representing the industry, has been assessing the damage caused by the increase in imports. Earlier this week it made formal representations to the Commission on the imports issue.

The federation is pressing for measures to restrain the influx of imports from Taiwan and South Korea, the principal sources of footwear in the Far East. It is also keen to secure action to prevent "dumping" – whereby products are sold in an export market for less than the cost of production – from Far Eastern countries.

Italy and France have already mounted successful lobbies for restraints on footwear imports from Taiwan and South Korea. The British industry is now attempting to follow suit.

In recent weeks, footwear industries throughout the European Community have pressed the Commission for action against imports. This could take the form of restraints for individual markets, such as Britain, or of measures which apply across the Community.

Mr Michael Fielden, director of the BFMF, said some form of action from the Commission was "essential" because the pressure on the British industry had "never been greater."

Since last autumn the footwear industry has suffered a dramatic increase in imports – chiefly from Taiwan and South Korea – fuelled by the strength of sterling against the US dollar and related Far Eastern currencies.

This influx of imports has imposed intense pressure on profitability, particularly among women's shoe makers based in Leicester, in the East Midlands, and Lancashire in north England. Most of the larger manufacturers have suffered sharp falls in profits. Some smaller companies have gone out of business.

The rate of import growth has slowed down in recent months but the pressure on pricing, and hence profitability, is still intense. Mr Fielden said that, unless the influx of imports is checked, "a large number of companies will be driven to bankruptcy."

Overseas partnerships urged for lawyers

By Raymond Hughes, Law Courts Correspondent

ENGLISH solicitors may soon be allowed to go into partnership with lawyers from other countries if recommendations published yesterday are implemented.

The international committee of the Law Society of England and Wales has suggested that the profession should accept in principle the idea of permitting solicitors to enter into partnerships in England and Wales with Scottish and Northern Irish solicitors, and with lawyers from other European Community countries.

After the practical questions relating to such partnerships have been resolved, further consideration should be given to the possibility of also permitting partnerships between English solicitors and non-EC lawyers.

The committee gave its views in a report on multi-national partnerships presented yesterday to the Society's governing council.

It said that there was a demand from at least some firms to be able to bring lawyers from other jurisdictions into full partnership.

This would enable them to provide more effectively a wide range of international services to clients.

It was now permissible for English solicitors to enter into almost any sort of association in England – short of actual partnerships – with lawyers of other jurisdictions.

The remaining prohibition was, therefore, increasingly hard to justify, the committee said.

Lawyers in EC countries could already practise in other Community states.

Demand for them to be able to enter into partnerships in other states could now be expected to grow with the increasing mobility and interchange of lawyers.

Although there are at present wide differences in training, rules of conduct, organisation and language, "the increasing integration of the Community can be expected to result in a gradual reduction of the differences," the committee said.

In the context of worldwide international legal practice, it said the arguments for English firms being able to take into partnerships lawyers from, for example, the US, Australia or Canada, might be even stronger than those relating to EC lawyers.

Government attacked over failure to tackle air problems

By Lynton McLain

BRITAIN and Europe have finally run out of the capacity to handle growing demand for air travel in peak times, the Air Transport Users' Committee, which represents the interests of airline passengers, said in its annual report yesterday.

The report severely criticised the Government, airlines, airport companies and management of the air traffic control systems of Europe for their complacency in the face of these rising problems.

Mr John Cox, the chairman of the AUC said yesterday it was clear that additional runway capacity was needed in London, Munich, Frankfurt and Milan, "but nothing has been done."

"The question is not if an additional runway in the south-west of England is required, but when and – of course – where," the committee said.

"The nation faces the serious prospect of capacity not being provided to meet demand." This was a major strategic issue the Government must recognise and act upon.

Mr Cox attacked the Civil Aviation Authority and its equivalent bodies in Europe, which look after air traffic control, for "too little investment over the years in manpower and air traffic control equipment."

Runway space at Heathrow, Gatwick and several European airports was exhausted in peak periods.

He said governments had persisted with night curfews at airports which were devised for old noisy aircraft, ignoring the fact that newer aircraft were much quieter.

"The customers have had enough. We want to see the capacity provided so that passengers can fly at times when they want to travel," Mr Cox said.

"We, the passengers, are heartily fed up with the consequent delays, often stretching into days," Mr Cox said. "We are fed up with attempts by the Civil Aviation Authority, the Government, airlines and airport operators to blame each other instead of seeking to resolve problems."

The committee said it was convinced that improvements for travellers, such as European liberalisation in scheduled services and a free, competitive market in the charter sector would be put at risk if the "problem of capacity was not addressed immediately."

Growth continues despite high interest rates and drop in earnings

Jobless total lowest in seven years

By Ralph Atkins, Economics Staff

BRITAIN'S official unemployment total fell last month to the lowest for more than seven years while growth in earnings dipped slightly, according to official figures published yesterday.

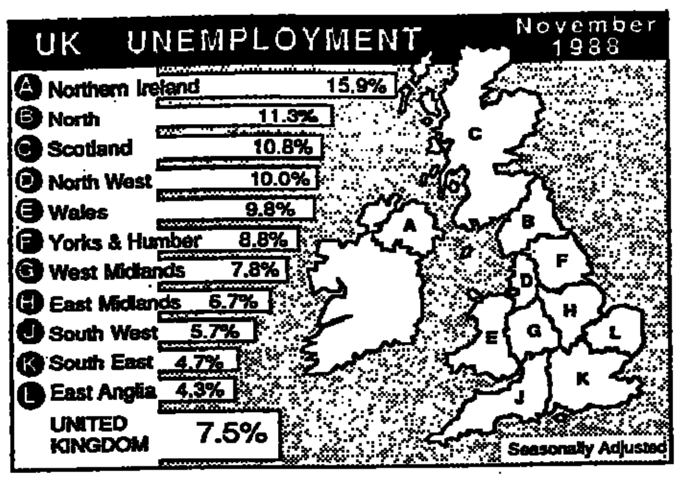
The Department of Employment said unemployment dropped by 49,300 to 2.11m in November after adjustment for normal seasonal variations.

It was the 28th consecutive monthly fall and the lowest total since April 1981.

The long-running decline suggests the UK economy is growing strongly in the last months of the year despite high interest rates.

Strong productivity growth continues to offset increases in earnings. Productivity growth in manufacturing is rising at an annual rate of 7 per cent.

Other figures released yesterday pointed to a slowing in domestic demand growth, but continuing buoyancy in industry – which together could help moderate the UK's trade deficit.



Bank of England weekly figures for notes in circulation were interpreted by many analysts as pointing to a slowdown in consumer spending.

The Department of Trade and Industry survey of investment intentions pointed to 10 per cent growth in real terms in capital expenditure by industry in 1989.

Revised trade figures, published by the Central Statistical Office, showed an improvement in the current account deficit in the three months to September from the original figure of £4bn to £3.6bn.

The revision was due to technical factors which will begin to unwind in the last three months of the year.

Commenting on the unemployment figures, Mr Norman Fowler, Employment Secretary, said the UK's unemployment rate had fallen faster in the past year than that of any other major industrial country.

In the six months to November, the seasonally-adjusted total has fallen by an average of 42,500 each month.

The unadjusted total fell by 51,918 to 2.07m in November. A small part of this drop was due to the delayed effects of changes to benefit rules.

Mr Michael Meacher, Labour's employment spokesman, said: "Any fall in unemployment is welcome, particularly at this time of year.

"But, on the Government's massaged figures, it has still fallen by only half the amount by which they have pushed it up since 1979."

Unit labour costs subdued

By Our Economics Staff

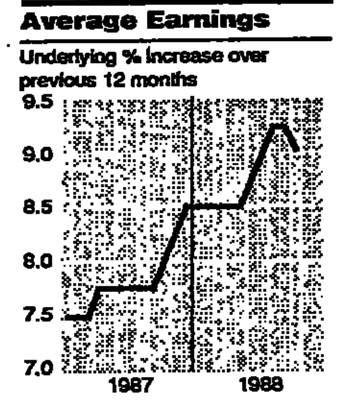
UNIT WAGE costs in manufacturing accelerated slightly in October but strong productivity growth continues largely to offset earnings increases, according to Department of Employment figures.

In the three months to October, wages and salaries per unit of output in manufacturing were 0.9 per cent higher than the corresponding period a year before. That compared with a growth rate of 0.6 per cent in September.

However, unit labour costs remain subdued even by recent standards. This reflects strong productivity growth in manufacturing which continues to grow at an annual rate of about 7 per cent.

Last month Mr Nigel Lawson, Chancellor of the Exchequer, said even increases of about 1 per cent in unit labour costs were too much compared with international competitors.

The department figures show a slight dip in manufacturing productivity growth, although it remained strong. In the three months to October output per head was 7.3 per cent higher than the corresponding period a year before.



Accounting body set to curb brands trend

By Richard Waters

THE GROWING trend by acquisitive companies to put a value on product brands and other intangible assets could be brought to an abrupt end by rules being considered by the accountancy profession.

The Accounting Standards Committee, which provides guidance for the profession, yesterday disclosed its plans to issue guidelines aimed at limiting the freedom with which companies can improve their gearing by such measures.

The committee's proposed action follows a series of separate moves by large companies such as Ranks Hovis McDougall and Grand Metropolitan which are aimed at restoring the damage done to their balance sheets by takeovers.

Commenting on the recent trend towards valuing brands, Mr Michael Renshall, the committee's chairman, said: "The ASC looks at this with some anxiety ... It's very difficult to separate brand names from the intrinsic goodwill, the essence of a business. We hope companies will consider very carefully before they revalue intangibles."

The ASC said it is considering rules to regulate how brands and other intangible assets are treated.

Such rules are still some way off, but in a break with its usual cautious approach, the ASC said it plans to issue provisional guidance next month.

The proposals under review include a requirement for companies to depreciate assets such as brands over several years, unless a company could persuade its auditors that they would retain their value indefinitely.

A paper put to the committee for consideration proposed that these assets should be written off over 10 years, but this was thought to be too severe.

Instead, Mr Renshall indicated that the US method of depreciating an intangible asset over no more than 40 years could be the answer.

One-off falls in an asset's value should also be written off against profits, said Mr Renshall.

These measures would depress a company's reported profits and are likely to outweigh the benefits of valuing intangible assets in the first place.

A further important change being considered is to force companies to be consistent in their valuations, said Mr Renshall.

This means, for instance, that a company could not choose to value only its brands, but would have to value all of its intangibles, including licences, franchises, and any other asset which could potentially be sold separately and could be valued with any certainty.

This is intended to prevent companies picking only the assets it wants to value, while ignoring others.

The paper put to the ASC meeting contained the more radical proposal that, in the interests of consistency, all companies should be forced to value their brands.

This is understood to have been dropped, however, since the ASC feels uneasy with the accuracy of valuation methods, and is uncertain about the ability to separate the value of an intangible asset from the rest of the business.

The ASC's preliminary guidance would not have the force of an accounting standard, but would put pressure on companies to conform.

Government urged to sharpen IT policy

By Terry Dodsworth

THE UK Government's approach to the development of the information technology industry was strongly attacked yesterday in a House of Commons committee report which called for more policy co-ordination by the Department of Trade and Industry.

The report criticised the DTI for not taking a more effective co-ordinating role in a number of areas, including research and development, infrastructure development, public procurement and Government use of information technology products such as computers and telecommunications.

Mr Kenneth Warren, chairman of the all-party Trade and Industry Committee which prepared the report, said yesterday that it had met with unanimous approval by committee members. "We have tried to be very practical in our recommendations and to bring forward recommendations to which the Government can respond," he said.

Mr Warren made a particularly hard-hitting criticism of this week's Macdonald report on the development of fibre optic cable networks. By refusing to recommend ways of developing high capacity fibre optic networks, he said, the Government was missing a golden opportunity where there was scope for co-operation with many users.

The committee also took the Government to task for abolishing the post of Minister for Information Technology, and argued that the DTI could give a much stronger lead to industry by encouraging and steering the use of IT products in Whitehall.

Government departments ought to be making much greater use of IT than at present. "We were surprised to hear so many people disclaim overall responsibility for Government information technology policy."

Reactions from industry were largely favourable last night, particularly on the issue of Government procurement, where the the committee attacked both the time and cost involved in tendering to Whitehall departments. "There is a great need for a clearer strategy in Government spending," said Mr Peter Sachs, director of the Electronic Engineering Association. "The policy is incoherent at present, and does not help industry plan for the long term."

The report also underlined the committee's "concern" over the UK's trade deficit in electronic products, which stood at around £2.2bn in 1987.

Biffen urges rethink on independent nuclear deterrent

By Philip Stephens, Political Editor

THE GOVERNMENT was yesterday urged by a former senior minister to respond to the Soviet Union's arms control initiatives with a review of its own commitment to maintain Britain's independent nuclear deterrent.

Mr John Biffen, the former Leader of the House of Commons, caused surprise and some consternation among ministers and Conservative MPs with a call for a "lively and public debate" on whether Britain should remain indefinitely a nuclear power.

His comments drew a predictably frosty response from Mrs Margaret Thatcher, the Prime Minister, who told the House of Commons that "hope is not a basis for a sound defence policy." Britain, she insisted, needed to maintain its independent deterrent.

Other senior ministers commented that there was not the slightest prospect of Britain rethinking its nuclear defence strategy unless and until the Soviet Union had gone much much further in cutting its conventional and nuclear forces.

There was also little obvious support for Mr Biffen's views among other Conservative backbenchers, however, and the idea was explicitly rejected by Mr Michael Heseltine, the former Defence Minister.

By contrast, Mr Neil Kinnock, the opposition Labour leader, said that the remarks provided further evidence of his "intelligence and insight."

The Soviet Union had thrown down a challenge in reasonable expectation of a constructive response and, in return, it had received from Mrs Thatcher an "incantation" on the superiority of Soviet forces, he said.

Mr Biffen's statement called for a "positive and full-hearted response" to the arms reductions proposed last week by Mr Mikhail Gorbachev, the Soviet leader.

During the Christmas recess of parliament ministers should "speculate with the unthinkable as a prelude to New Year actions", he suggested.

As a first step, the Government might consider the case for making cuts in its planned defence spending over the next three years.

But, much more fundamentally, he thought, "we should start to ask questions about the basis on which we seek to remain a nuclear power, including what role Trident would have in Britain's defences".

John Biffen: ministers should be prepared to speculate with the unthinkable

At a time when the Soviet Union seemed to be intent on putting aside its global ambitions and on re-possessing its traditional European character, "it would be foolish for Conservatives to suppose a non-nuclear defence policy was the monopoly of the ultra-left," he said.

Mr Gorbachev's changes in the Soviet Union marked a "decisive turning point in post-war European history", to which Britain should respond not with a "bronchial whisper" but with enthusiasm and a readiness to think through the implications.

Mr Biffen, who was sacked from his Cabinet post as Leader of the Commons after last year's general election, supported, albeit without enthusiasm, the Government's decision to order Trident as a replacement for its Polaris submarine fleet.

But he indicated yesterday that his instincts now were that Britain should move towards a non-nuclear defence policy.

UK car output set for 11-year high

By John Griffiths

CAR PRODUCTION in the UK is on course to reach its highest level for 11 years. The level of commercial vehicle output is the highest since 1980.

Provisional statistics from the Department of Trade and Industry show that car output in the first 11 months of the year reached 1,137,692 units, fewer than 5,000 below the 1,142,683 produced in 1987.

Car production for export continued its upward trend for the last six months, November export output being 26 per cent higher than a year ago at 24,600 units.

But the industry's efforts to cater for a larger-than-expected new car market in the UK this year has meant that in the first 11 months of the year, production for export – at 197,213 – is 5.5 per cent lower than the 208,609 units produced in the 1987 period.

Double shift working at Peugeot Talbot, after the introduction of the 405 medium saloon, and the inclusion for the first time of Nissan's production from its Sunderland, Tyne and Wear, plant in north-east England, are two of the main factors in the improved production figures. The figures are improved despite a two-week strike at Ford at the beginning of the year.

In percentage terms, growth in commercial vehicle output has been much higher than in the cars sector. Production in November – at 34,122 units – was 43 per cent higher than a year ago at 34,122 units, bringing the total for the first 11 months to 289,250 units, up 27 per cent on the period a year ago.

Voter turnout higher than expected in Epping poll

VOTERS yesterday turned out in greater numbers than predicted in the Epping Forest by-election, AP reports from London.

Party activists reported that voting at polling stations around the Essex constituency in south-east England varied from brisk and steady to a trickle in some places.

But there was general agreement that the turnout would be higher than the 40 to 50 per cent feared earlier this week.

The seat became vacant after the death in September of the Tory MP, Sir John Biggs-Davison, who had represented the area since 1955. It is the 15th safest Conservative seat in the country.

Conservative candidate Mr Steven Norris was confident of victory in the seat which had a Tory majority of 21,513 at the 1987 General Election.

But both the Social and Liberal Democrats and Social Democratic Party claimed they still had a good chance of defeating him.

Labour activists reported solid support for their candidate, Mr Stephen Murray, in their stronghold areas and expected to finish second.

Survival without a sugar daddy

David Lascelles continues his series on securities houses after the Big Bang and shares crash by taking a look at Kleinwort Benson

WHEN Morgan Grenfell pulled out of the securities markets earlier this month because of the slump in dealing, City of London people started asking who might be next.

The name of Kleinwort Benson sprang to some lips. Kleinwort is in a similar category to Morgan; it is an independent merchant bank and a relative newcomer to the tough and turbulent world of the securities business. It is also trying to make a success of the "integrated strategy" which brought Morgan down – combining merchant banking with the role of dealer and broker in securities.

But some City observers see differences between Kleinwort and Morgan which, they say, give the former greater chances of survival. Kleinwort itself claims that its resolve is unshaken, although yesterday's lay-offs show it is not immune to the cost squeeze.

Before the Big Bang in 1986, Kleinwort was one of the largest City merchant banks, owing its size mainly to a big conventional banking business. But apart from an excursion into the US government bond market, it had little direct experience of securities.

The adjustment needed to become an integrated house was, therefore, quite large, but the management believed it was an essential step if Kleinwort was to remain a force to be reckoned with in investment banking. Key executives would have left if they thought management was balking at the challenge.

The key step was the acquisition of Grieveson Grant, a well-established though not top ranking stockbroker for £44m, which gave it an entree to the broking and distribution side of the business. But unlike its big competitors, Barclays and Warburg, it bought only a small jobbing (market-making) firm which meant it had to build up the market making side of the business largely by itself, which was time-consuming and expensive.

The new securities operation was combined under a new division of the group, Kleinwort Grieveson. Its dealing room was housed in the cavernous former banking hall on the first floor of the Kleinwort building in Fenchurch Street. But though the new group got off to a good start at the time of Big Bang, it rapidly encountered severe back office problems which almost brought the whole operation to a halt. The mess took £7.5m and many months to sort out.

Looking back at it now, Kleinwort executives say they made a crucial mistake in failing to appreciate the importance of back office systems. The problem was compounded by the fact that the Kleinwort people and the Grieveson people each thought the other side was supposed to be dealing with it – a classic management mix-up. As part of this crisis, Kleinwort was also obliged to close down Sharecall, its telephone-based dealing service for small investors.

But having got over that hurdle, Kleinwort managed to survive the subsequent October market crash in relatively better shape than its competitors. Thanks to some judicious positioning it was one of the few houses that made a profit on equity securities dealing in the final months of last year, and the early months of this one.

Now that it has straightened itself out, Kleinwort's aim, according to Mr David Peake, the chief executive, is to be counted among the top six houses in the UK securities market, with a strong international business too. At the moment it thinks it is doing better than that; Mr David Clementi, the chief executive of Kleinwort Benson Securities, (as Kleinwort Grieveson is now called) claims it stands sixth in research, fourth or fifth in agency business, and third or fourth in market making, and that its market share is growing (though he won't give any figures).

These standings, which are not strongly disputed in the City, suggest that Kleinwort has made a larger impact than Morgan Grenfell, the market share of which was so small that it failed to make the top 10 City league tables.

A detailed analysis of the big equity market houses commissioned by one of Kleinwort's competitors earlier this year showed Morgan in the weakest position in terms of market penetration, with Kleinwort only slightly better. Since then, though, Kleinwort is reckoned to have advanced by hiring new market makers and researchers.

Altogether, KBS employs about 1,000 people, of whom 600 are in UK equities, the backbone of the business. The rest of Kleinwort Benson Securities consists of a gilt-edged dealer, which in common with others is losing money, a growing Japanese securities business based on Tokyo stock exchange membership, and the US government bond business, of which a quarter has now been sold to Fuji Bank of Japan. Kleinwort is also considering what steps it should take in Continental centres.

Other plans include the introduction of a new dealing system, BEST, which automatically executes orders for investors at the best price available in the market. But this has got bogged down in a controversy with the Stock Exchange.

As London's new integrated houses go, Kleinwort claims to be one of the most closely knit. Grieveson's name has now been dropped completely, and partners from the old firm have been absorbed into the Kleinwort management structure. Bonuses are paid on a group-wide rather than departmental basis.

But it is debatable whether Kleinwort's new securities side is adding anything yet to its traditional merchant banking and corporate finance side. There have been some deals which straddle both sides. But Mr Peake admits that the full benefits are not yet coming through because the group's corporate clients still separate the function of merchant bank and broker. "But it will come," he predicts.

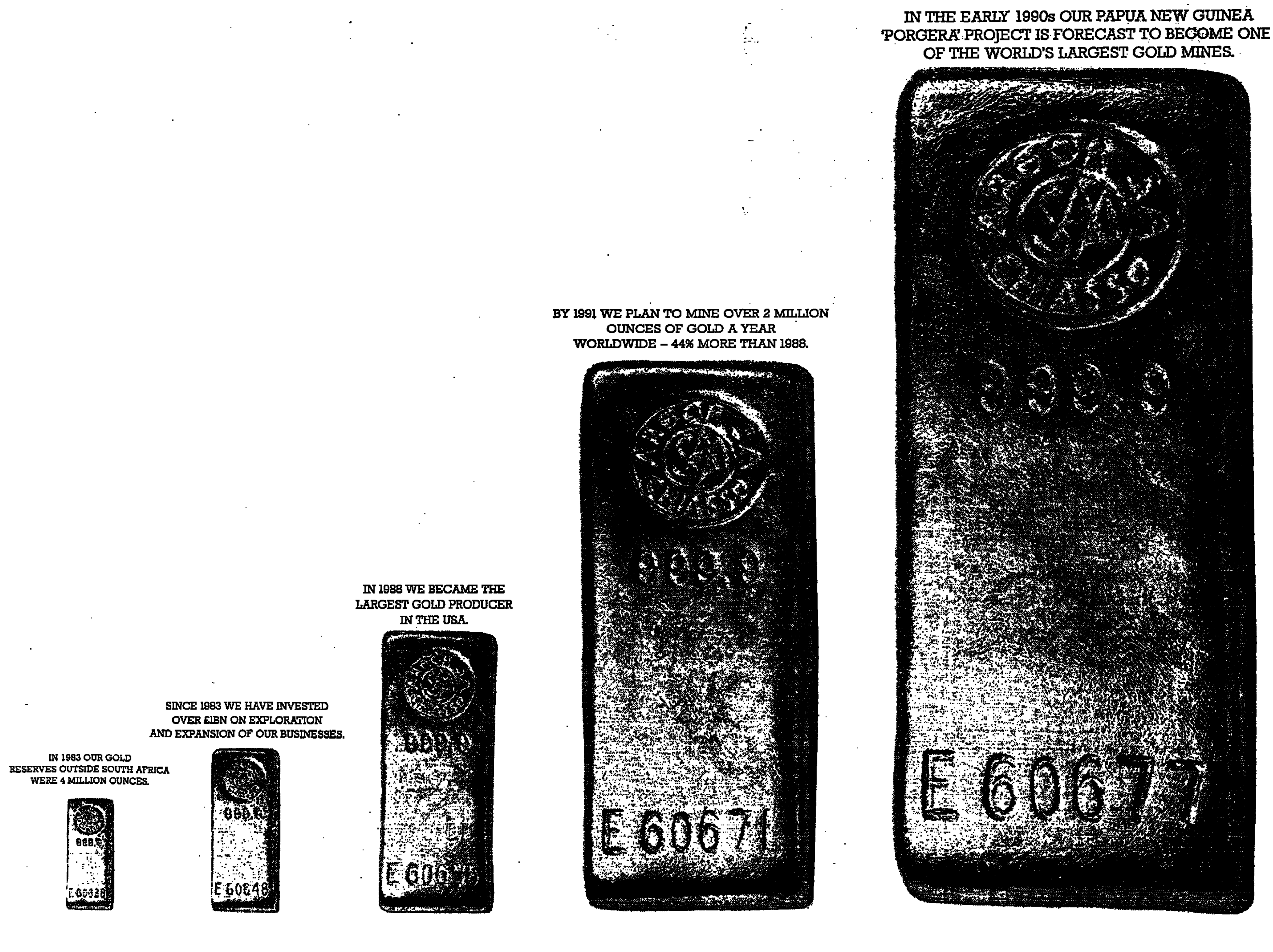
The key question for the future, though, is whether the securities side will be able to generate enough profits to justify its existence.

Mr Jonathan Agnew, group chief executive designate, agrees that profitability is not good at the moment – and has got worse since the outbreak of a fierce price war in August. But he claims that Kleinwort will be able to boost earnings by being selective about the types of securities markets where it is active, particularly in foreign markets. Cost controls have been severely tightened, and perks cut back.

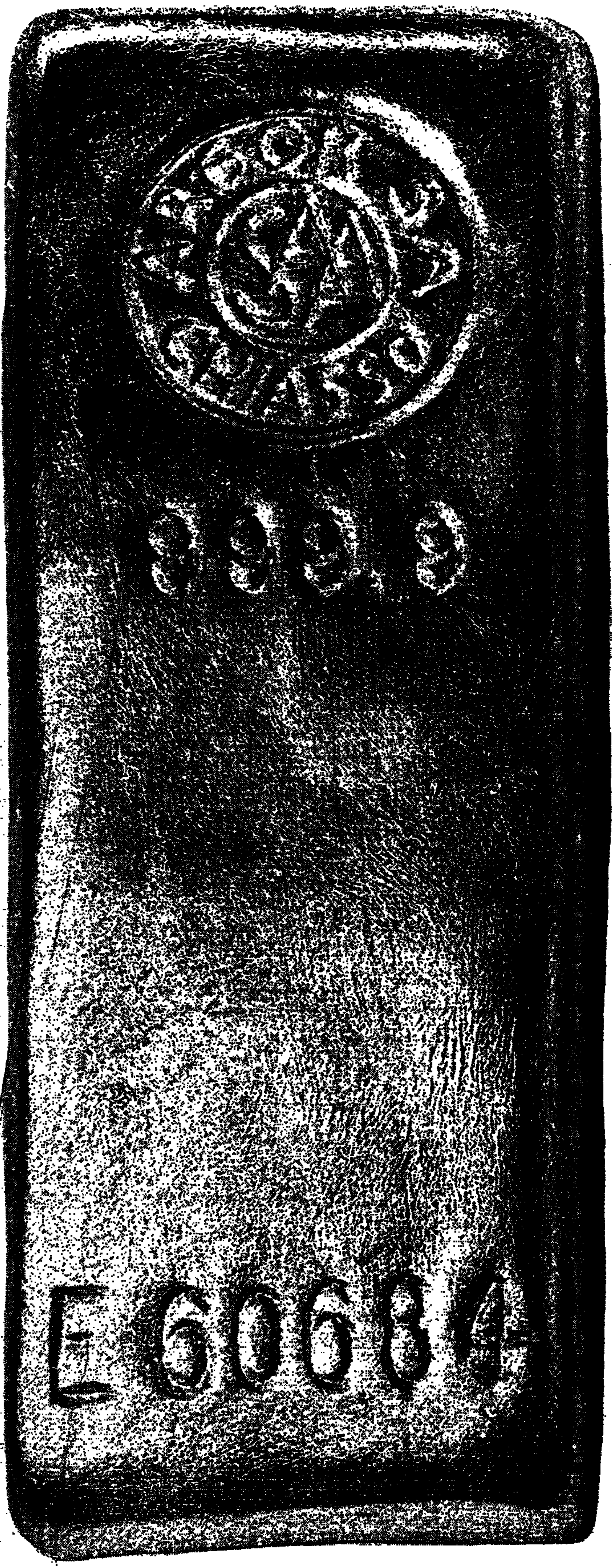
In response to the suggestion that Kleinwort, as an independent house, has fewer resources to deploy against competitors many times its size, Mr Agnew makes a virtue of that: "The fact that we don't have a sugar daddy means we have to be more careful with capital. If we can't stand a loss of £20m on a deal, we stay out."

Fortunately, Kleinwort had a well-timed £144m rights issue last year which has given its balance sheet a good underpinning, but Mr Clementi believes it will take another two or three years before the City will know who is winning in the securities business.

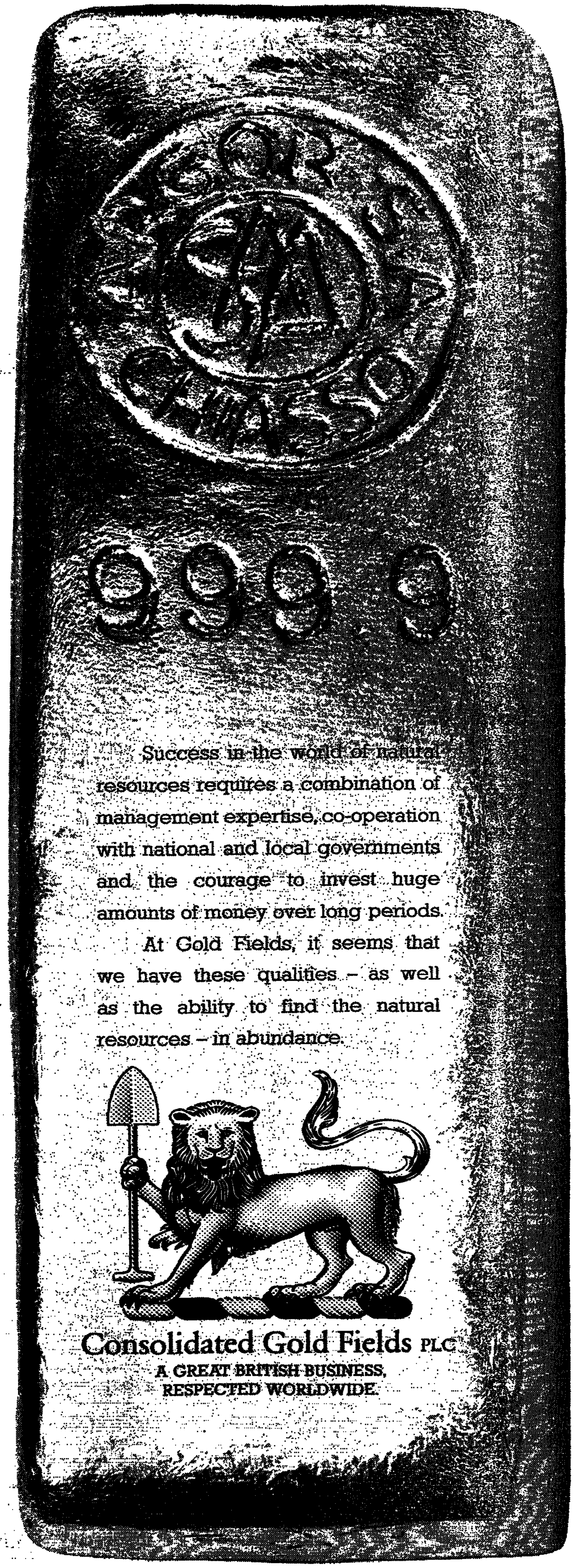
THE ULTIMATE BAR CHART.



BY 1993 OUR SOUTH AFRICAN 'NORTHAM' DEVELOPMENT IS PROJECTED TO BE THE WORLD'S FIFTH LARGEST PLATINUM PRODUCER.



TODAY OUR GOLD RESERVES OUTSIDE SOUTH AFRICA ARE 24 MILLION OUNCES AND EXPLORATION CONTINUES APACE.



MANAGEMENT

Campofrio

Why a local hero is talking turkey

Tom Burns on a Spanish meat processor's expansionary plans

Pedro Ballve, 35 years old and the heir to a meat processing fortune, is something of a contemporary hero in Spain – he is hailed as the man who fought back against the foreign multinationals and won.

Nodding at the photographs in his office that show him receiving two *businessman of* the year awards, he says the nationalist fervour that fuelled such prizes helped the family company's image in Spain but adds that his strategy is far from being nationalistic.

Ballve is emphatically not peninsular - "I believe in the globalisation of economies and of companies" – and is actively seeking expansion both within and outside Spain with whatever partnerships suit his Campofrio company.

He is also delighted that non-Spaniards bought into Campofrio when some 12 per cent of it was floated earlier this year on the Madrid stock exchange. In time, or rather "when people know our products in Europe and America," Ballve intends to seek listings for his company in London and in New York.

The need for alliances reflects a determined growth programme on two fronts: Campofrio wants to push Spanish products abroad and to introduce new eating habits to the consumer at home. Ballve firmly believes that a businessman has to be "creative and know how to take risks." He is very ambitious: "We are far from reaching our ceiling in imagination, diversification, technology and internationalisation."

He has opened a manufacturing base in France and, in a second joint venture, will open another next year in the *Dominican Republic as a first* step towards entering the US market. Campofrio is seeking a manufacturing base and possible partners in Portugal; in Spain a very sophisticated Pta 2.8bn ($27m) meat processing plant will come on stream next year.

On the strength of expected net profits this year of Pta 3.2bn, up from Pta 2.4bn last year, the company, which is 60 per cent owned by the family, plans shortly a Pta 425m capital increase.

Over the past five years Campofrio has been investing Pta 500m a year in improving its manufacturing system and it has been capitalising its out*lay rapidly with lowered pro*duction costs; last year higher productivity represented additional profits of Pta 300m.

Ballve achieved prominence late in 1987 when, after protracted negotiations, he finally recouped 50 per cent of Campofrio from an increasingly debilitating US entanglement. It was not so much a patriotic battle against multinationals as a struggle for survival against Wall Street raiders.

Jose Luis Ballve, father of Pedro and the founder of Campofrio in 1952, had sold 50 per cent of Campofrio to Beatrice Foods of the US in 1978 at a time when the Spanish company was selling nearly 100 brands of cold meats, sausages and hams in the domestic market. The arrangement was mutually beneficial and Campofrio improved rapidly with the additional American know-how – Ballve junior himself trained and worked for a time in Chicago.

In 1986, however, a year after Ballve had taken over on his father's death, disaster struck when Beatrice succombed to a hostile bid mounted by Wall Street's *Kohlberg Kravis* Roberts (which has just succeeded with another hostile bid – for RJR Nabisco). Ballve did not like his new partners – "they were financiers, not manufacturers" – and immediately set about recovering what his father had sold.

Before long the young Spanish entrepreneur found that Wall Street was as inviting as a pool full of sharks – just as he had been warned. Just as he believed himself inching towards an agreement, he learnt that KKR had sold its Beatrice property, along with 50 per cent of Campofrio, to a second US investment company, the TLC group. Ballve had to start all over again.

The buyback from TLC eventually cost $90m and was financed by Madrid's Banco Central in what was for Spain a novel financial arrangement.

Banco Central subsequently cancelled the debt in exchange for 40 per cent of Campofrio's *stock together* with an agreement that part or all of this equity could be floated when both parties thought the time was ripe. In July Central and the Madrid brokerage company Iberagentes began to place Campofrio stock with outside investors.

Ballve, who had put up everything that his family owned as collateral for the loan, also bought a 3 per cent stake in Banco Central and has a seat on its board.

The deal caught the public imagination because it was a reversal of a seemingly established "all of Spain is for sale" trend that had foreign interests buying up every domestic venture that looked interesting. The *family-owned* meat processing company Revilla, for example, which is a household name in Spain like its rival Campofrio, was acquired outright by Unilever at the very time that Ballve was negotiating the repurchase.

The success of the Wall Street venture and the surrounding publicity spurred Ballve into expansion projects. His business principle is essentially very simple: produce for Spaniards what foreigners eat and vice versa.

His ideas on introducing foreign products to Spain owe much to his own instincts but they are fundamentally based on the dual stars in Campofrio's firmament: one is the company's sophisticated market research team; the other is its 500-strong sales staff. Backed up by 31 regional offices, and by a fleet of 150 refrigerated lorries, the sales staff serves 45,000 domestic outlets and meets close on 1m orders a year.

On his trips to the US, Ballve, who always inspects supermarkets with a tape-measure in hand, noticed that as much shelf space was allocated to white meat or poultry products as was devoted to other meats. Campofrio's researchers came up with the astonishing statistic that Spaniards eat 400 grams of turkey meat a year against the 22 kilos consumed per annum by the French.

Over the past couple of years Campofrio has set its in-house technology to work and has launched a line of turkey-based products, from cold cuts to pastrami and sausages. The brand name Pavofrio – *pavo* is Spanish for turkey – has caught on quickly.

Ballve has learnt from his research team and from his salespeople that consumption patterns in Spain are altering at a dizzying speed and he fully intends Campofrio will meet the changing demand. He is fascinated by a forecast that the Spanish housewife, who at present devotes two and a quarter hours a day to cooking, will spend just 35 minutes daily in the kitchen by 1992.

Spain is set to be Campofrio's cash cow, for the company has a 10 per cent share overall of the domestic meat market, a third more than that of its nearest rival, and its quota continues to rise. But Ballve's ambitions are firmly set on foreign expansion and he wants 25-30 per cent of the company's turnover to be abroad by 1992.

Rather than exporting, Ballve prefers to invest in manufacturing bases outside Spain and this strategy, much like the decision to repurchase the Beatrice equity after the KKR takeover, has been, in part, forced on him by circumstances. For instance, because African swine disease exists in Spain, the export of domestic pork products has been banned for a number of years.

In order to circumvent the bans, Campofrio joined forces with a second Spanish ham producer and spent Pta 300m earlier this year on a curing plant in Taninges in France's Haute-Savoie. A further Pta 400m investment aims to lift the plant's capacity to 250,000 hams a year.

The end product of the French venture is what is known as Serrano hams, a prized Spanish delicacy that owes its bouquet and its pinky colour more to salting and to airing techniques in the curing process than to wild-roaming and acorn-eating Spanish hogs.

Ballve finds that French and Belgian pigs are perfectly adequate raw materials and he aims to make Serrano *jambon* as available in Europe as are Bayonne and Parma hams.

Simultaneously Ballve is planning his assault on the US market and studying joint manufacturing ventures with American producers. The first step has been the plant in the Dominican Republic financed by Campofrio, with a 60 per cent stake, and by two local investors. Opening next year, the $10m plant will test receptivity to what Ballve calls "ethnic Spanish food".

Campofrio's chairman believes there is a strong demand for the company's products among the 25m Hispanic population in the US: "We are going to be producing *chorizos* (spicy Spanish sausages) for Miami, not frankfurters for Iowa."

Pedro Ballve: took on the multinationals and won

Tom Peters: a convert on the road to Trondheim

Christopher Lorenz on the US guru's belief in design

A couple of years ago *Tom Peters, the influential* author of a string of best-selling books on excellence in business, was on holiday in northern Norway when he "fell in love", as he puts it, with a simple, wooden-handled metal hammer.

Although his bags were already overweight, he lugged the object back to his home in Vermont, where he displayed it proudly on his bookshelf.

Three days later his pick-up truck had a flat tyre. To replace the wheel, he had to use a US-made wheel spanner which he realised was "god-awful ugly", with a finish so rough that "it's a bloody miracle if you can use it without ripping a hole in your hand".

By his own admission, it was these two experiences with simple tools, rather than the design successes of Ford and several other leading multinationals since 1984, which caused this millionaire guru to awake belatedly to the importance of good design in international competitiveness.

Like many other American writers and consultants, Peters had attributed Ford's revival to the more conventional explanations of teamwork, greater employee involvement, and near-Japanese levels of product quality.

The design dimension of Ford's revival gets scarcely a mention in his current bestseller, "Thriving on Chaos"*.

Tom Peters: "Americans believe they are born to mass-market junk"

Yet Peters now recognises that his ungainly, painful wheel spanner is an all-too-obvious product "of the American manufacturing 'imagination' of the last 200 years", he told a conference organised by the US Design Management Institute in California a few weeks ago. One of the reasons why the US did not care enough about design was that "we ain't obsessed with things that work".

"Americans believe they are born to make junk, to mass market it, and to dominate the world," Peters complained. "We are the world's commodity producers."

That was why US industry was having such difficulty adjusting to the need in today's competitive marketplace for it to become a producer of products and services that contain high added value.

The key importance of design, said Peters, was not just its physical aspects - "lumpy objects with prettily rounded corners" - but its ability to convey information and other intangibles.

The most important element of product design is no longer physical mass, but information (or "software"), argued Peters. With large-scale production of standard objects giving way increasingly to small orders for customised objects which have a high information and/or service content, "the least significant part of the product is the widgetness of it."

By the same token, it was no longer sensible for companies to think of themselves as either manufacturers or service organisations, claimed Peters. There was no longer any real difference; for instance, only 6 per cent of the labour force at IBM, the world's leading computer manufacturer, now worked in a factory.

As a result of these changes Peters warned that "the most dangerous thing that could happen to design" as its importance became recognised among executives, would be for it to be viewed merely as product aesthetics. "It's a very much bigger deal than that," he concluded.

* *Macmillan £16.95 (UK); Knopf $19.65 (US).*

Business courses

The fundamentals of finance and accounting for non-financial managers. Villars, Jan 23-27 and Brussels, Feb 13-17. Fee: BFr 81,900 (members) and BFR 91,000 (non-members). Details from Management Centre Europe, Customer Services Department, Postbus 95, NL-3417 ZH Montfoort, The Netherlands.

How to prepare quality manuals, plans and operating procedures. Ascot, Jan 18-19. Fee: £395 + VAT. Details from David Hutchings Associates, 13-14 Hermitage Parade, High Street, Ascot, Berks SL5 7HE.

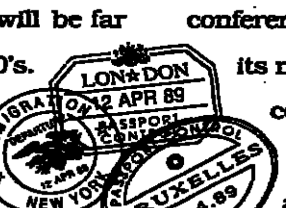
Financing and controlling expansion within fast-growth companies. London, Jan 24-25. Fee: Small to medium sized companies £125 + VAT for day one; or £200 + VAT both days; larger companies £250 + VAT or £450 + VAT companies. Details from Institute for International Research, 44 Conduit Street, London W1R 9FB.

Woolworth – a brand for the 1990s. London, Jan 17. Fee: £15 (non-members), £8 (members). Details from The Marketing Society, Stanton House, 206 Worple Road, London SW20 8PN.

Mergers and acquisitions – the 1992 effect. London, Jan 18. Fee: £210 + VAT; £180 + VAT (individual/associate members); £160 + VAT (corporate members). Details from The Strategic Planning Society, 15 Belgrave Square, London SW1X 8PU.

Broadcast Europe '89. London, Jan 26-27. Fee £80 + VAT. Details from Forum Communications, London House, 26-40 Kensington High Street, London W8 4PF. Tel: 01-938 2222; Fax 01-937 4546.

Contract works and contractors' liabilities. London, Feb 6-8. Fee: £460 + VAT. Details from Joy Bambrough or Judith Hobday, Insurance & Reinsurance Research Group, Bridge House, 181 Queen Victoria Street, London EC4V 4DD. Tel: 01-236 2175. Fax: 01-489 1487. Telex: 8811636.



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FINANCIAL TIMES SURVEY

In their first decade, enterprise agencies measured success in numbers of jobs created. Now the emphasis is slowly changing to advising people in jobs who want to become self-employed and helping small businesses to grow.

Alan Pike reports

There's a lot more to do

MEASURED IN terms of their growth rate, enterprise agencies have been one of the remarkable successes of British business life in the 1980s.

In 1978 there were a mere three of them. Today, there are 300. No major city is without one. Neither are a large number of smaller locations and, in the calculation of Business in the Community (BiC), which does much to promote the interests of the movement, "few people live more than 10 miles away from an agency." The enterprise agency has, in the space of a decade, become a familiar high-street institution.

Growth rate is, of course, not the only measure by which enterprise agencies should be judged – although neither is it an achievement to be overlooked when it is remembered that many agencies have had to be built with money, premises and staff begged and borrowed from other organisations.

Their rapid expansion reflected the rise in redundancies and unemployment of the early and mid-1980s and the resultant shifts in the economy towards smaller businesses and self-employment.

The main function of enterprise agencies during their first decade has been provision of free advice to people seeking to start their own businesses, while their success has in the main been measured in terms of jobs created.

Assessments conducted by the Centre for Business Initiatives credit enterprise agencies with helping to create or save some 90,000 jobs a year, although such calculations are inevitably imprecise. And, in the uncertain and difficult world of small business start-ups, there is evidence that a business has twice as much chance of surviving if its proprietor enlists enterprise agency assistance.

But what next? An end to mass redundancies on the scale of the early 1980s and a falling unemployment rate are diminishing part of the founding purpose of enterprise agencies. There are no longer so many unemployed people with ideas for small businesses coming through the doors. At the same time direct government funding to enterprise agencies is being reduced, meaning that they will in future need to become more active at generating their own income.

So the 10th anniversary finds a recognition in the UK's enterprise agencies that a crossroads has been reached, and that fundamental decisions about changes in the shape of the agencies have to be taken.

To some extent the change has already begun. Although the core business of enterprise agencies has been to offer advice to people planning to start small businesses, many are already actively engaged in other services as well. In typical agencies these are likely to include a selection from a menu of services covering finance, education and training, managed workshops and other property activities and advice from legal, accountancy, marketing and similar specialists.

Many of these activities are certain to grow, particularly as the client base of the agencies is changing. Enterprise agency staff are increasingly finding themselves assisting employed people with fairly advanced ideas for starting their own businesses, rather than the redundant worker for whom self-employment seems the single alternative to unemployment. In some agencies, employed people now form a majority of clients and they are a growth area for almost all agencies.

"This means that the scope of services which clients are seeking from agencies is changing," says Mr David Grayson, partnership director of BiC, which acts as a co-ordinating body for enterprise agencies as part of its wider role of promoting private sector community involvement. "If you are a 30-year-old woman working as a computer programmer and planning to start your own business, your ideas and propositions are going to be more substantial than a newly-redundant unskilled worker."

Following conferences and other discussions among enterprise agency directors and board members about the best ways of channelling effort in the coming years, BiC has published a consultative document, "The Future for Enterprise Agencies."

This concludes that the current trends towards serving employed people who have ambitions to be self-employed, helping established small businesses to grow, and providing more after-care assistance, are roles that are likely to continue. At the same time, 1992 will increase the need in small and expanding businesses for a wide range of advisory and technical services.

It is not only more sophisticated demands from clients which are causing enterprise agencies to re-examine their priorities. They are being pushed in the same direction by financial considerations as well.

Funding for agencies is currently running at around £30m a year, with about half coming from the private sector. Speakers at a conference of major corporate sponsors arranged by Business in the Community earlier this year made it clear that they expected private sector support to continue into the 1990s, but believed that the basis of funding would move from generalised support to the financing of specific projects.

The government is taking a similar approach. In 1986 it introduced the Local Enterprise Agency Grant Scheme to encourage the development of agencies and this has been used by agencies to help develop and professionalise their services – for example, by appointing salaried directors.

Financial support under the scheme is now being reduced by the government, but ministers believe overall levels of public finance will be maintained, provided agencies take advantage of new opportunities.

The shape of some of these new opportunities was revealed in this month's Employment white paper "Employment for the 1990s." Under the proposals in the white paper, responsibility for developing local training strategies will be shifted to private sector-led Training and Enterprise Councils.

It is expected that this restructuring will encourage many enterprise agencies to introduce or develop industrial training activities, and bid to take on the small firms advisory services from the government.

The BIC consultative document shows that many agencies are already established in what are likely to prove the growth areas. Four out of five of the 300 agencies run business training courses. A total of 56 per cent of agencies have access to their own loan and grant funds. Many others run group marketing initiatives and produce business directories.

Other new functions, the document envisages, are likely to include the provision of better business information, establishing and running marketing co-operatives and providing small businesses with a range of commercial services modelled on Japanese trading houses.

Some agencies have also moved into more social areas which are not directly related to helping individual businesses. The London Enterprise Agency runs the East London Business Education Compact with the Inner London Education Authority. Lincoln Enterprise Agency is a Youth Training Scheme managing agency. Derwentside Industrial Development Agency and Hartlepool Enterprise Agency are involved in inward investment projects.

The further development of services beyond basic business advice raises the prospect of agencies beginning to charge for some facilities. In Mr Grayson's view the basic initial business advisory services for which agencies were established will always remain free. But if agencies offer specialist services for which clients would have to pay if they went elsewhere, he thinks there might sometimes be a case for making charges.

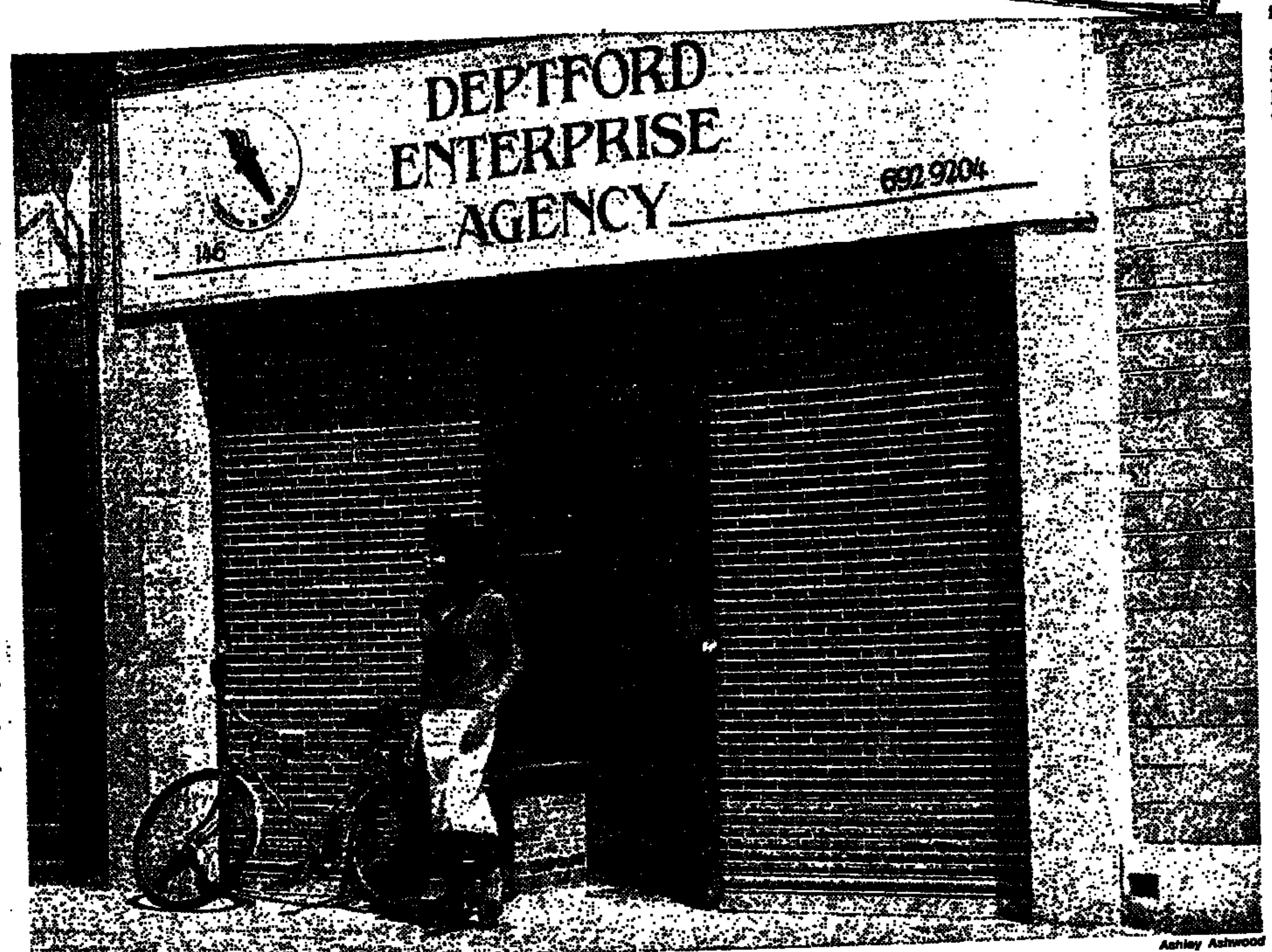
He stresses that he does not believe there is a single model for the future of all enterprise agencies: "They need to look at what other providers are doing and see how best the local enterprise agency can make a distinctive contribution. This is likely to vary from area to area," he notes.

It may also produce some mergers or at least collaborative projects between agencies – particularly in fields like computer data-bases. A shortage of computer equipment and specialist staff is regarded as a current obstacle to improving the range and quality of some agency services.

The successful growth of enterprise agencies in new areas depends on more than financial resources. It also requires having the right staff which, in turn, depends on corporate sponsors being prepared to second appropriate managers and specialists.

There are some recent encouraging signs that UK companies are taking a broader view towards secondment – seeing it not just as an act of charity towards enter-

Continued on Page 4



Ashley Ashwood

Like Black Business in Birmingham (see page 4), the Deptford agency operates in an area with a high ethnic minority population

UK Enterprise Agencies

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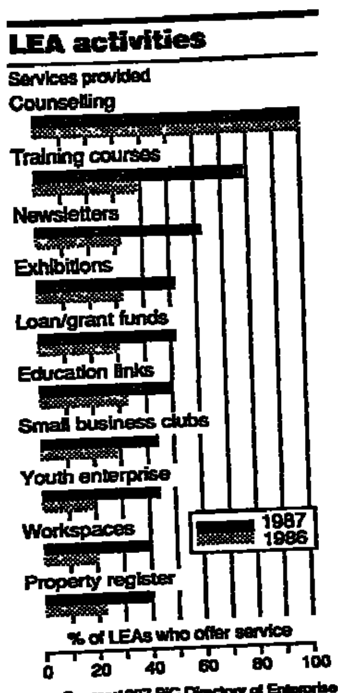
LEA activities



Source:1987 BIC Directory of Enterprise Agencies

After a flying visit by Prince Charles to two Welsh factories

BiC's second start in Wales

TV production at Sony's Bridgend plant, visited by the Prince of Wales this week — Trevor Humphries

TWO DAYS ago the Prince of Wales flew his helicopter in to the Sony plant at Bridgend in South Wales. Later, he took off for the top of the Rhondda Valley where he opened a new plant for AB Electronic Products.

His flying visit was not just to perform another of those industrial getting-to-know-you meetings at which he is so good. It was also to launch Business in the Community in Wales and he had chosen to see both Sony and AB Electronics because they are leading partners in BiC in the principality.

Strictly, the Prince was relaunching BiC. The organisation has had a presence in Wales since 1983 and the first enterprise agency, Antur Teifi, was established in Newcastle Emlyn, Dyfed, four years before that.

But it was felt a relaunch was necessary to give impetus to its work. At the same time the structure in the principality was changed to make it more of a national organisation, reflecting Wales's own identity, rather than as the regional arm of a British organisation.

New leadership has been created under Mr Ted Merrette, managing director of AB. He has gathered together an executive committee that comprises Mr John Mitchell, chief executive of the Principality Building Society, Mr David Jenkins, secretary of the Welsh TUC, Mr Alf Gooding, chairman of the Gooding Group, Mr David Yendoll, a director of the Bird Group, Mr Malcolm Wallace, managing director of Cardiff steel group ASW, and Mr David Roberts, a prominent North Wales businessman who is chairman of Pilkington Visioncare.

In addition, since March 1, appropriately St David's Day, BiC has had a new director in Wales in Mr John Sheppard. These men are now charged with developing BiC strategy in Wales and ensuring its implementation.

They start with a good ground base. There are 20 local enterprise agencies and enterprise trusts already operating in the country and another four organisations closely allied to the movement.

Each is endeavouring to develop a speciality business alongside the core programme of providing business advice and counselling companies. Antur Teifi showed the way by helping set up a printing works whose strength lies in the Welsh language. That works now employs more than 20 people.

Made – the Merthyr and Aberdare Enterprise Agency – is getting involved in heritage and tourist activities in its area and giving thought to the creation of a crafts centre.

Further west, Llanelli Enterprise has joined forces with the Welsh Development Agency, the trade unions and local authorities in marketing a factory site or, alternatively, turning it into a centre for small businesses.

Cave – Cardiff and Vale Enterprise – the largest agency in the country, is spending a lot of time with companies likely to be affected by the rebuilding of Cardiff's docklands. Interestingly – perhaps even uniquely – the Ogwr Partnership Trust had, until he was recently called back home to another post, an American as its chairman.

There are still holes in this network. There are gaps in Aberystwyth, Anglesey, Gwent outside Newport and in the Rhondda. Mr Sheppard would like to see these areas covered though there is now a debate in Wales, mirroring the debate nationally, about how the agencies should develop in a changing economic situation.

The environment in which they operate is changing: unemployment is falling; the number of school leavers is falling; private industry is often seeing its work differently.

How should the agencies respond to this new situation? There are as yet no answers but an important joint seminar with South Glamorgan County Council is to be held in the new year on customised training and priority hiring and enterprise partnerships. There will be follow-up seminars aimed at key employers and possibly also at community partners.

BiC is helping to develop two education business partnerships – known in England as compacts – which attempt to improve educational standards and raise the standards of those undergoing post-school training. The organisation is hoping that one will evolve out of the seminars in South Glamorgan.

The philosophy of Business in the Community in Wales extends further than just education and special local interests, though. It is also attempting to improve job-linked schemes and business leadership schemes.

Under the former employers are encouraged to undertake training schemes for the unemployed in which a guarantee is offered to those on the courses that they will be given priority when jobs become available in the companies. It is thought this will offer the unemployed, especially the young unemployed, an incentive to join the training schemes.

The idea behind business leadership teams is to get senior executives and local authority officials together to encourage them to look at specific geographic areas and draw up a strategy plan of what is needed to improve economic and social well-being.

These schemes are all the more important as the agencies are forced to change their own perception of their work. As unemployment falls, it will become increasingly necessary to change the emphasis towards working with the employed.

Such a view might still seem heretical in industrial South Wales but there are parts where it is apparent that skill shortages are much more important than job creation.

The form in which the agencies survive and build up their work will now occupy the thoughts of Mr Merrette's team. The strength of the groups lies in their ability to respond to local issues in a manner that does most good for the locality. But to be effective, they have to be properly funded.

The Prince of Wales is relaunching BiC at a most opportune time. Mr Merrette is determined the organisation will respond in a way that will enhance the life of Wales.

Anthony Moreton

SCOTLAND

A leap for enterprise

Bill Hughes, chairman of the CBI in Scotland

THE ENTERPRISE trust movement in Scotland now has a chance to take on a bigger role that is not on offer to its counterparts south of the border. This springs from the government's decision to carry out a radical restructuring of the system for enterprise development in Scotland.

The new plan, set out in a white paper last week, is the culmination of an extraordinary process whereby an idea, put forward in a newspaper article only in late June, was rapidly approved by Mrs Margaret Thatcher, the Prime Minister, and given public endorsement by her in early September.

The original idea came from Mr Bill Hughes, chairman of the Confederation of British Industry in Scotland, and the executive chairman of Grampian Holdings, a successful medium-sized Glasgow industrial conglomerate.

Expressing his frustration at the community's relative failure to wipe out unemployment in Scotland, he proposed that the Training Commission (now called the Training Agency and once known as the Manpower Services Commission) be merged in Scotland with the Scottish Development Agency. Furthermore, he suggested that the new single body should function to a considerable extent through local agencies in which businessmen would play the leading role.

It was a novel idea which never occurred to anyone during the extremely detailed assessment of the SDA and regional development policy carried out by the government only two years ago. It commended itself to the government in part because it could be seen as an Scottish solution for Scottish problems put forward by the Conservatives, which could have the added benefit of obliterating the name, Scottish Development Agency, which in many Scots' minds is inextricably linked with the body's founder, the Labour Party.

The white paper's proposals are closely in line with Mr Hughes' original outline, although the number of local agencies, of which there were once to have been 60 or 70, has been whittled down to about 22. The Training Agency and the SDA are indeed to be merged into a new body called Scottish Enterprise which will have a budget of about £500m. It will have a central strategic role directing both economic development and training, but the crucial delivery mechanism is intended to be the local agency.

The local agency will concentrate initially on training and the labour market, but may in due course take over from Scottish Enterprise some of the former SDA's functions in the field of small-scale property development and land reclamation, and equity, loan and grant assistance.

To create the local agencies the government intends to invite local employers and others to offer to form their boards of management. The group accepted would make a contract with Scottish Enterprise to carry out its basic functions; how many extra functions it acquired would depend on how ambitious it was and effective it was judged to be by Scottish Enterprise.

The white paper suggests that local employers should come together with enterprise trusts, further and higher education colleges, other providers of training, trade unions and voluntary organisations, though it expects two-thirds of the membership to come from "the senior ranks of private sector business." It specifically acknowledges that groupings such as it is proposing already exist in many areas in the form of enterprise trusts.

The enterprise trust movement, which was launched in Scotland in 1982 under the name of Scottish Business in the Community (Scotbic), has now established 40 enterprise trusts all over Scotland, twice as many as were originally envisaged. It has strong links with industrial sponsors, while secondees from major companies play an important part in it. The senior staff at Scotbic are all on secondment, with the director, Mr Graham Ross, seconded from United Biscuits, the company chaired by Sir Hector Laing.

In the past year it claims to have been involved in projects that created 9,000 jobs in 3,800 new businesses. It had an annual budget of £4.3m.

The pattern of enterprise trusts in Scotland is varied. Some operate in prosperous cities such as Edinburgh; others have been created as part of urban renewal projects in such places as Easterhouse, the large area of low income housing estates on the periphery of Glasgow. Some are very active, others less so.

In Bathgate, the town to the east of Edinburgh severely hit by industrial closures, the enterprise trust takes the form of Base, Bathgate Area Support for Enterprise. Base is one of the stronger enterprise trusts, and is the only one to have a local investment fund: it can lend up to £25,000 for specific projects. Thus Base is not, as so many trusts are, confined to giving business advice.

There is an ambitious enterprise trust in South Fife with an impressive list of corporate sponsors. In two years it claims to have been involved in the setting up of 225 businesses which created 870 jobs.

In Hamilton in Lanarkshire the Hamilton Enterprise Development Company, formed a year ago, sees itself as a mini-SDA, and its composition, with a board strongly oriented towards business people, though with the majority of funding coming from the public sector, has a flavour of the proposed local agencies about it.

Scotbic gave a cautious welcome to Mr Hughes' proposals when they were first unveiled, despite the fact that his scheme came as something of a surprise. Mr Hughes also hinted that some of them were too involved with local authorities, and warned that a second round of funding for the trusts might not be as successful as the first.

The organisation greeted the white paper positively. Sir Hector Laing said Scotbic had every confidence that the enterprise trusts would have an important role to play in the Scottish Enterprise delivery mechanism. He said: "It is vital that the special loyalties and commitment built up by enterprise trusts over the past five years are retained and built on by Scottish Enterprise."

But the government is proposing to have only about half as many local agencies as there are enterprise trusts, which suggests that if some of the enterprise trusts are to become the nucleus of a new local agency there would have to be some amalgamation of the trust areas. In practice, it appears likely that the more active trusts will seize the opportunity to upgrade themselves and carry out the necessary regrouping.

At the moment, however, it is not clear exactly how the transformation would take place: the enterprise creation function is not the same as the relatively bureaucratic task of organising training, and the sponsorship element would somehow have to be blended into the new structure. That is all to be worked out over the next few months.

Though legislation for Scottish Enterprise will not come before Parliament until the 1989-90 session the government hopes that if there is a consensus of support in Scotland for the scheme, parts of it can be put into place sooner.

James Buxton

How the role of Business in the Community is changing

Meeting the regeneration needs of the 1990s

THE ROLE of the private sector has never been more crucial in the rebuilding of Britain's inner city communities, and fresh targets for companies to aid job creation and regeneration have been set by Business in the Community (BiC) to help chart a new direction.

In the 10 years since the enterprise agency movement started to help the unemployed set up businesses on their own by providing help and advice, around 300 agencies based on local partnerships covering businesses, trade unions, local authorities and other organisations have been created and over 5,000 companies have given some form of help.

Mr Stephen O'Brien, chief executive of BiC, which acts as an umbrella organisation for the majority of the agencies, puts the number of jobs created or saved at nearly 100,000 a year at a low cost per head. It is a proud record, and one on which BiC is keen to build.

But there are problems, as circumstances are changing fast, with the government switching the emphasis in the regeneration of employment opportunities from a mix of public and private effort to an overwhelmingly predominant role for the private sector.

It is now clear that there is no intention of making further funds available from the public purse, and it will be for industry and commerce to continue the provision of these opportunities.

The needs of the 1990s will be very different from those of the 1980s, and enterprise agencies, together with the companies and other organisations

It has deliberately blurred the lines between charity and self-interest for industry

backing them, will have to adapt. Unemployment is continuing its fall, and helping businesses expand is now more of a priority. To meet these new challenges effectively is the task facing BiC.

Enterprise agencies grew out of the 1980 Anglo-American conference on community involvement chaired by Mr Tom King when Local Government Minister. A working group was formed under Sir Alastair Pilkington because of the glassmaker's pioneering work with the St Helens enterprise agency. BiC emerged from these deliberations.

In the early days there were relatively few voices in favour of what many regarded as "industrial philanthropy". A widespread view, still held by some, was that a businessman's duty was to stay in business, make profits and provide employment; looking after the community and its problems was the government's job.

BiC was dominated in its early years by an ethos similar to that of the liberal industrialists in the 19th century. Companies became members, seconding personnel or entrusting money to be allocated through community trusts and enterprise agencies.

It was the riots of 1981 in Brixton, south London and Toxteth, Liverpool, that gave the movement its greatest impetus, however. Mr Michael Heseltine, then Environment Secretary, dragooned a group of senior industrialists on to buses to see the devastation of Toxteth, and it proved to be a catalyst for action.

One of the ideas promoted was secondment, long practised by companies like IBM and Marks and Spencer as a two-way benefit both to the community and management development. After Toxteth it became instantly fashionable and has continued to be one of the main instruments for giving direct help.

Tax incentives to encourage community support later added a commercial rationale, and enterprise agencies grew greatly in numbers and in scale.

A survey conducted by BiC last year showed that agency assistance had halved the failure rate that would otherwise have been expected among young businesses. One in six of the companies helped by an agency failed in its first three years compared with the one-in-three failure rate of small firms generally.

More recently, the decision of Prince Charles to become BiC president has guaranteed much greater media attention and helped promotion, and the Prime Minister's adoption of inner city regeneration after the last election as a key plank in her strategy for the Parliament, has added a further boost.

What BiC has managed to do in recent years, as political fashions towards regeneration have changed, is to keep urban issues high in the consciousness of industry and commerce.

It has deliberately blurred the lines between charity and self-interest, and cultivated the idea that the involvement of business in the inner cities is to the commercial advantage of companies as regenerated areas will supply not only future customers but also future employees.

"It is interesting to see how many major companies in the private sector are accepting they should get involved in the community. It is in their commercial interest to do so, it is not just altruism," says Mr O'Brien.

Prince Charles is given a lot of credit by BiC leaders for his involvement in a number of projects, including the economic regeneration project at Calderdale, centred on Halifax, where BiC acted as a broker introducing industrialists and liaising with local interests to create jobs, replace old industries, develop stability and improve the quality of life.

The project received a nasty jolt last June, however, with the announcement that United Biscuits was to close a factory in Halifax with the loss of 1,000 jobs. Sir Hector Laing, chairman of United Biscuits, is also chairman and a driving force behind BiC, and he has had to survive local calls for his resignation.

On a more limited scale, a series of six neighbourhood economic development partnerships has been launched in areas like Finsbury and Spitalfields in inner London, Wolverhampton and Hartlepool. Here again, BiC acts as a catalyst, bringing together the different parties.

However, Mr O'Brien does not regard BiC's role as one of unlimited expansion, backed by a top-heavy bureaucracy. The organisation has a limited amount of funds and sees its major role as highlighting the more successful experiments which may then be adopted by other agencies nationally.

But such experiments do provide the private sector with a structure by which companies can look closely at what they provide in terms of sponsorship and investment. BiC also offers an advisory service on how companies could implement a community policy.

As part of the current shift in emphasis, the organisation has been examining ways of acting as a focal point for the creation of teams of local businessmen. Close links have been developed with the Confederation of British Industry, whose inner cities task force has advocated the creation of more business action teams to help regeneration in deprived urban areas.

Nine target teams have now been set up to provide a private sector response to the government's inner cities initiative. They cover areas like priority hiring and training, inner cities enterprise development, education partnerships, finance for enterprise, local purchasing, marketing private sector initiatives and co-ordinating the voluntary sector. The teams are operating on a two-year time-scale and are supported by other groups of businessmen at local level.

A "flagship" initiative has been developed by a financial group chaired by Sir David Scholey, chairman of S.G.Warburg, which is investigating problems still facing embryo businesses in finding finance.

Another of the BiC teams, chaired by Mr David Rowland, chief executive of the Sedgwick Group, has been seeking ways of persuading companies to target recruitment and training programmes more closely on unemployed young people in the inner cities.

The target team headed by Mr Martin Findlay, vice-chairman of Whitbread, is seeking to promote links between companies and schools to give

A target for more than 500 companies to invest 1 per cent of pre-tax profits in the community

guaranteed jobs to school leavers. This is based on an idea called Compact originally developed in Boston, Massachusetts.

By linking companies and schools in small groups enterprise agencies can guarantee jobs to school-leavers who might not have the usual academic qualifications but who meet personal targets such as a good attendance record and punctuality. The idea was pioneered in the UK by the London Enterprise Agency (Lenta) and is being backed by many industrialists.

Specific ideas being developed include the establishment of enterprise fellowships to enable young managers to adopt inner city partnerships as part of their own management development, and a national scheme to encourage young professionals to provide new businesses with management advice.

The latest ideas were disclosed last month by Prince Charles at BiC's annual conference in Sheffield.

The Prince set three new targets for business to step up its participation in the community by calling for an increase in purchasing by the country's largest companies from the smallest by £500m over the next five years; for 100 of the largest companies to recruit and train from the longer-term unemployed; and for more than 500 companies to invest 1 per cent of pre-tax profits in the community in the next two years.

The Per Cent Club was set up in late 1986 under the joint chairmanship of Sir Hector Laing and Sir Mark Weinberg as a means of encouraging companies to commit themselves to a target of 1 per cent of pre-tax profits to be devoted to the community. The aim is to more than double the number of companies involved.

There is undoubtedly a new era beginning, with enterprise agencies no longer regarded as new and experimental. They will not be able to rely on support as an act of faith, but the hope is that given continuing company profitability, increased help will be forthcoming.

"Now we are out of the siege mentality, companies will be able to devote more time to long-term projects," Mr O'Brien predicts.

Richard Evans

Stephen O'Brien, chief executive, Business in the Community

Prince Charles, who recently became BIC president, on a visit to Spitalfields, London

UK ENTERPRISE AGENCIES 4

Why assisting minority communities is a mainstream cause

Ethnic stake in the system

A LARGE, blown-up copy of a cheque for £150,000 decorates the boardroom wall at Black Business in Birmingham, one *of several specialist enterprise* agencies set up to assist members of ethnic minority communities.

The £150,000 was paid under the government's City Action Team (CAT) programme. Another £75,000 has come from the government's Inner City Task Force initiative. And then, carrying on down the scale of donations, there is the pump-priming cash from the Home Office which got the agency started in the first place – £50,000 in each of its first two years and £35,000 this year. The agency's premises are provided by Birmingham City Council.

Primed or not, the pump is still obstinately refusing to send private sector cash gushing with the same force as public support into Black Business in Birmingham's coffers.

Apart from the contribution of Manufacturers Hanover Trust, which has seconded the agency's American director, Mr *Kofi Adjei, and pays his salary,* the private sector has this year contributed a total of only £10,000 to Black Business in Birmingham. This will be just about enough to ensure that the Home Office grant, which has to be matched by private capital, is not cut.

Most of this modest private sector contribution has come from a tiny handful of sources with only one high street bank – National Westminster – among the sponsors.

Mr Adjei concludes that one reason for the poor private sector response may be that supporting enterprise agencies does not offer corporate donors any quick, guaranteed return on their money.

And, he speculates, an ethnic minority enterprise agency may not look a sufficiently mainstream cause, although in spite of its name Black Business in Birmingham does not turn away any client who looks likely to succeed – 11 per cent of the people on its books are white. The agency now styles itself 3B, playing down the word black in its title.

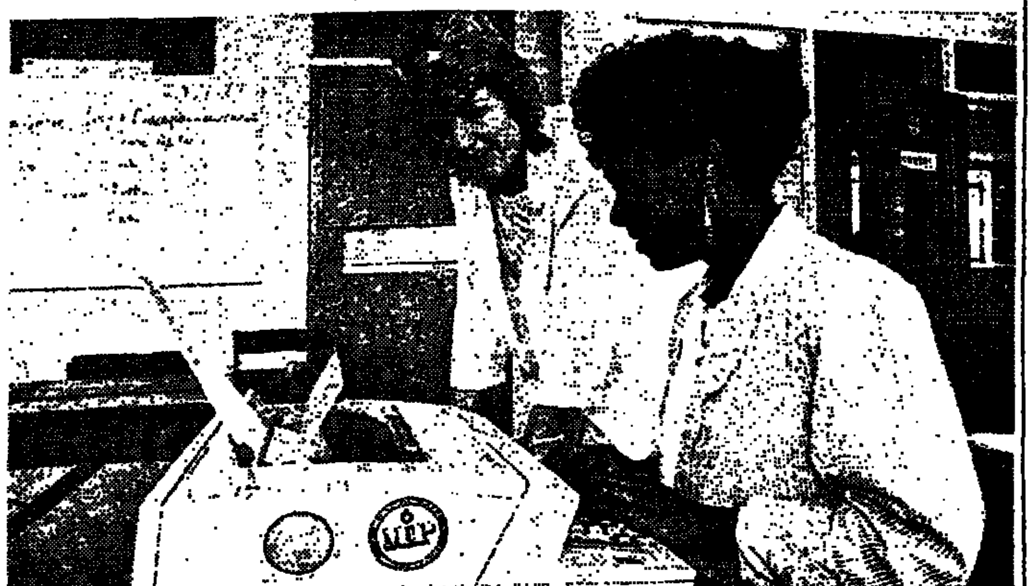
In fact, the development of ethnic minority businesses is a very *mainstream cause if the* government's inner cities policy is to help the people who actually live in inner urban areas. Many of Britain's inner cities have large ethnic minority populations, and they suffer disproportionately from unemployment. The objective of organisations like Black Business in Birmingham is, as Mr Adjei says, to "help give these *people a stake* in the system."

Within its financial constraints, Black Business in Birmingham is making a valuable contribution towards doing this. It has helped with many small business start-ups – often through making £1,000 grants to enable unemployed black people to qualify for the Enterprise Allowance Scheme – but Mr Adjei and his colleagues are even more concerned to try to encourage established ethnic minority *businesses to grow.*

"We will support small fast-food outlets and hairdressers so long as there are not already too many in a neighbourhood. But given the high failure rate among new small businesses, it seems sensible to concentrate on developing existing ones."

The agency does this by helping to make capital, business advice and training available. There are signs that the strategy of helping established businesses to grow is working.

One of the problems which many inner city ethnic minority businesses face is being tied to a small local market – often a predominantly ethnic minority one with limited spending *power. But Mr Adjei says* Black Business in Birmingham has both manufacturing and service companies on its books which are now capable of competing to the full in national markets and, given time, international ones.



The office skills instructor at the Fullemploy Lewisham Project, London, was seconded by ICI

When he arrived in the West Midlands 2½ years ago to run Black Business in Birmingham, Mr Adjei began looking *for a really successful,* prominent local black business leader to become associated with the agency and act as a role model to its clients. It came as a surprise to Mr Adjei, who in 1974 was the first black person to be appointed a vice-president of Manufacturers Hanover Trust, to discover that there were none.

"It is perhaps less surprising when seen in the context of history," he says. "Afro-Caribbean people came to the West *Midlands to work for* employers, not to start businesses. Many of the jobs which people came to do have since disappeared, and some are now trying to run businesses with insufficient capital, training and support. This is where we are trying to help."

Black Business in Birmingham is not alone. The Government also recognises a specific need to encourage more members of ethnic minority communities to move into business life.

Stage one of the drive to achieve this has involved the Home Office in helping set up several other enterprise agencies, like Black Business in Birmingham, which operate in *areas with high ethnic minority* populations.

There are similar agencies to the Birmingham one in Deptford, Finsbury Park, Tower Hamlets and Wandsworth in London, and in Bristol. The Home Office also supports two training organisations, Project Fullemploy and OIC, which concentrate on working with members of ethnic minority communities.

All enterprise agencies are being encouraged by the Home Office to examine whether they are doing enough to attract potential entrepreneurs from ethnic minorities.

There are a number of ways in which agencies are likely to improve their take-up rate among the ethnic minority population including producing material in languages other than English, liaising with community relations organisations, and making particular members of staff responsible for developing relationships with ethnic minority communities. The Home Office has made a grant to Business in the Community to enable it to run an outreach service among the large Bangladeshi community in East London from the Tower Hamlets agency.

Mr John Patten, the Home Office Minister responsible for community relations and inner cities, is, like Mr Adjei in Birmingham, concerned that black businesses should not be restricted to serving local ethnic minority markets. The Minister wants to increase the number of people from ethnic minorities involved in mainstream business *life and he is* setting up a committee of business leaders – many of them from ethnic minorities – to help plan ways of achieving this.

Alan Pike

Ralph Atkins profiles Lenta

The broker's Compact

IN A capital city where affluence, skill shortages and million-pound office developments rub shoulders with some of the most wretched areas in Europe, the London Enterprise Agency (Lenta) has carved itself a position as an broker.

The agency – which celebrates its 10th anniversary next year – has channelled money from large companies into small businesses, education, housing and job creation projects in rundown parts of the capital. It has brought together trade unions, entrepreneurs, big companies, schools and public money.

Lenta's offices are based in Snow Hill, Holborn – from where Charles Dickens' hero Nicholas Nickleby set off on his coach trip to Yorkshire. Likewise, its aim is to crusade against economic deprivation and social inequalities. It is unique in being independent of the public sector.

The agency takes a softly-softly approach to urban renewal. Its projects are small-scale compared with, say, the London Docklands Devel*opment Corporation. Rather* than embark on sweeping plans to revive local economies, it backs projects which seek to counter often hostile images of big companies and to link businessmen with local inhabitants.

Mr Brian Wright, chief executive, says: "There is no need for us to do big developments because everybody else is clamouring to do them. We have to make sure investment goes into areas where big developmentsare not happening."

The agency's role is to act as a intermediary. It splits the risk of long-term ventures between companies and provides expertise of its own.

Lenta was formed in April 1979. It was the brainchild of Shell UK, which was already involved in a joint project with the London Chamber of Commerce and Industry to promote small businesses and urban regeneration.

Six founding companies sought primarily to encourage new business in order to halt urban decay. The agency they created was designed as a pilot scheme to be modelled by others around the UK. The Snow Hill offices were opened by Mrs Margaret Thatcher in October 1986.

Today Lenta has 18 member companies including accountancy firms, banks, industrial and commercial companies and high street names like Marks and Spencer and J. Sainsbury. They provide finance, secondees and resources such as land and buildings. Many others give support, often sponsoring particular schemes.

Ashley Ashwood

Brian Wright, chief executive, London Enterprise Agency

Mr Wright describes Lenta as an "economic development operation." *Activities fall into* three broad areas – small businesses, education and property projects such as managed workshops.

Lenta's core business remains the counselling of established and would-be entrepreneurs on running a small business. In 1987-88 almost 6,000 people received detailed advice from Lenta's team of business counsellors and trainers.

It runs a "Marriage Bureau" which links private investors with small businesses. This is linked with other enterprise agencies around the country to form the Local Investment Networking Company.

Lenta provides managed workshops through Lenta Properties, which was set up in 1981. Projects include converting a former Sainsbury's shop in Tottenham into workshops and retail units.

In the past year, however, the emphasis has shifted more towards education and training. Most notably, Lenta helped pioneer the schools' Compact scheme in the UK. The project has since been adopted keenly by Mr Norman Fowler, Employment Secretary, and *is set to expand* in inner cities around the UK.

Compacts are based on an idea imported from Boston, US. By linking companies and schools into small groups they can guarantee jobs for school-leavers who meet personal targets which include attendance, punctuality and academic achievement.

The scheme is attractive not only for schools themselves, but increasingly for employers faced by a projected fall of 200,000 people in the 16-to-24 year-old age group in London by 1995.

The first Compact in Britain was launched by Prince Charles in the East End of London in September 1987. Covering four schools, it was set up by the London Education Business Partnership – a joint body established by Lenta and the Inner London Education Authority.

Subsequently the scheme, aided by government grants, has spread to more schools in East London and into south, north and west London.

Despite the government's enthusiasm for Compacts since the Prime Minister launched its Action for Cities plan in March, Lenta is wary of nationwide expansion proceeding too quickly.

"All our worries at the time that it was going to become a standardised national programme without allowances for local foibles and flavours are still there," says Mr Wright.

Lenta has also been involved in housing projects. After the Brixton riots it built housing units on in-fill sites in the area and sold them at low prices, with local residents being given priority.

However, the scheme has not been an unqualified success, admits Mr Wright. "It has taken us two or three years to build what is actually a fairly small number of units. The irony, of course, is that now there is a desperate need for that kind of project. Low-cost housing for essential workers is one of the most serious problems in London."

Lenta recognises that it has to evolve with the economic and political climate. With the present government, that means competing with others to attract private sector funds.

"The government is promoting so many schemes where it is the private sector who help and support, that private companies are under siege. Some large companies reckon they get 70 letters a day seeking sponsorship," says Mr Wright.

However, there are encouraging signs that business is realising real, tangible returns. Support for the Compact scheme, for instance, is coming from companies' personnel departments, not just the public affairs sections. At the same time, Lenta is earn*ing money from offering* consultancy services.

"A commercial flavour is coming in. What we have to do is to make sure we get the elbow room to set up new projects – we should always be living on our wits," says Mr Wright.

How Northern Ireland's small business agency is creating jobs

New emphasis on self-help

THE CHOICE of Northern Ireland as the venue for a prestigious enterprise conference this autumn underlined its reputation as an international pioneer in the field of evolving a sophisticated regional enterprise network.

The decision by several multi-national companies to pull out of the province in the late 1970s and early 1980s led to a reassessment of economic pri*orities and a new emphasis* on community-based self-help initiatives.

Thousands of people, many of them middle-aged, found themselves out of work for the first time and rather than settle for life on the dole decided to examine the possibility of starting their own businesses.

Suddenly tradesmen found *themselves attending courses* on book-keeping and business administration and redundancy payments were used as working capital for new enterprises.

The Local Enterprise Development Unit, Northern Ireland's small business agency, has taken the lead in encouraging the establishment, *development and survival of* fledgling companies.

Last year the agency broke all records promoting 4,570 jobs. A total of 873 new job-related projects were approved, bringing the number of jobs promoted since LEDU's inception in 1971 to more than 35,000.

LEDU's corporate plan *places emphasis on business* expansion and development and last year well over half (1,413) of the new job opportunities promoted in manufacturing industries came from expansion schemes undertaken by existing companies.

Similarly, in the service sector, just under half of the 709 new jobs were promoted by firms responding to the agency's efforts to encourage them to develop and diversify the services they are currently providing.

Out of 766 jobs promoted under LEDU's enterprise grant scheme, around a quarter were the result of self-employed individuals expanding their businesses.

Recently, LEDU took over *much of the responsibility for* delivering enterprise training in the province which is specifically designed for those wishing to establish their own businesses.

A unique feature of the new arrangements has been the appointment of managing agents – MDS (Northern Ireland) – to develop improved training packages aimed at the pre- and recent start-up entrepreneurs. The package covers not only those contemplating *self-employment but also the* skills essential to the success of a new business venture.

Participation in the training is now an integral feature for new applicants for the Enterprise Allowance Scheme and Enterprise Grant and the province's 16 local enterprise centres have been appointed local training organisers.

However, the Department of Economic Development, which has overall responsibility for the economy, has retained control of enterprise training policy and for supporting "higher level" training such as the New Enterprise Programme and the Graduate Enterprise Programme currently provided *by the Northern Ireland Small* Business Institute. This ensures the correct level of assistance for projects where growth potential requires significantly greater depth and breadth of business and management skills from the outset.

LEDU last year managed to transfer eight companies it had helped establish to the Industrial Development Board's portfolio of local companies. Transfers to the IDB reflect the success of LEDU's industrial strategies in helping companies to employ more than 50 people.

Last year the IDB passed three major milestones.

■ Since it was set up in 1982, the board has promoted more than 20,000 new jobs, total *investment in industry has* exceeded £1bn and more than 200 factories have been sold to the private sector.

■ A new campaign entitled Enterprising Northern Ireland has just started building on the success of recent years in developing small dynamic community-based enterprises throughout the province. Initially £400,000 has been committed by the International Fund for Ireland and LEDU over two years to enable the many grassroots initiatives to boost economic activity.

Mr Victor Hausner, former US Assistant Secretary of Commerce and economic development policy director for the former US President Mr Jimmy Carter, is directing the campaign. He says: "The initiative provides a major focus for the additional enterprise activity and will be the catalyst for future developments, taking forward the message that Northern Ireland is enterprising now and will be expanding its entrepreneurial base."

■ Three weeks ago Mr Tom King, Northern Ireland Secretary, announced an allocation of £242m for the full range of industrial development and support services in 1989-90 and predicted that this should result in more than 10,000 new jobs for the province next year.

Much remains to be done – the province still suffers the highest regional unemployment rate in the UK – but the experiences of the *last 10 years* have put Northern Ireland in the vanguard of the search for new and effective enterprise initiatives in today's fast-moving society.

Robert Mitchell

There's a lot more to do

Continued from Page 1

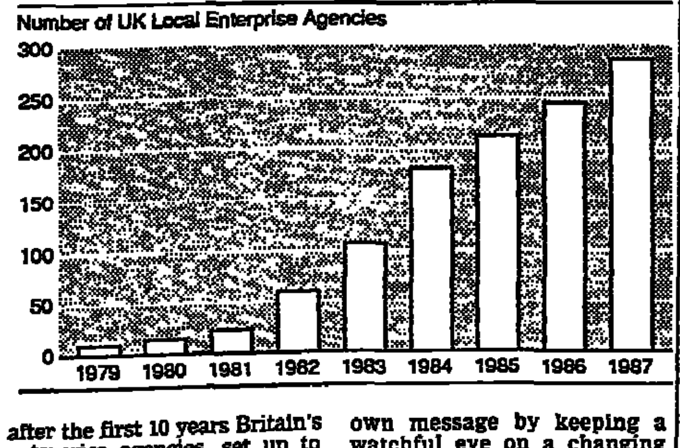
prise agencies and community organisations but as a positive element in their own career development programmes. This *is generating an increased* willingness to second a wider variety of staff in terms of age, experience, seniority and specialist background.

"Those who knew the local enterprise agencies in their *early days should look again* and see how many of the agencies have grown and are capable of playing a larger role in economic development," concludes the BIC document. "Many local enterprise agencies can become the focus for private sector investment in urban and rural renewal."

There are many signs that after the first 10 years Britain's enterprise agencies, set up to help promote the enterprise culture, are responding to their own message by keeping a watchful eye on a changing market and ensuring themselves a role in the future.

Nine years of growth

Number of UK Local Enterprise Agencies



FT LAW REPORTS

Administration order may save building company

IN RE HARRIS SIMONS CONSTRUCTION LTD
Chancery Division: Mr Justice Hoffmann: December 7 1988

AN ADMINISTRATION order may be made in relation to a company which cannot pay its debts, if the court considers it likely, to the extent of there being a real prospect rather than a probability, that such an order would enable it to survive or to sell off part of its business.

Mr Justice Hoffmann so held when giving his reasons for having made an administration order in relation to Harris Simons Construction Ltd, a building company, on the petition of the company's two directors. The order was made on December 5 1988.

Section 8 of the Insolvency Act 1986 provides: "(1) . . . if the court (a) is satisfied that a company is or is likely to become unable to pay its debts . . . and (b) considers that the making of an order under this section would be likely to achieve one or more of the purposes mentioned below, the court may make an administration order in relation to the company . . . (3)(a)the survival of the company . . . as a going concern . . . (d) a more advantageous realisation of the company's assets than would be effected on a winding up".

HIS LORDSHIP said that over the past four years there had been a spectacular increase in the company's turnover, from £830,000 in 1985 to £27m in 1988. Almost all the increased turnover had come from one client, a property developer called Berkley House plc, with which the directors had a close relationship.

Recently the relationship had turned sour. There were disputes over a number of contracts, and Berkley House had purported to dismiss the company and require its employees to leave their sites. It was also withholding several million pounds which the company said were due and in respect of which Berkley House said it had cross-claims.

The effect on the company's cash flow was that it was unable to pay its debts as they fell due, and several writs and a statutory demand had been served. It would have to go into liquidation more or less immediately.

The workforce would have to be dismissed and contracts and work in progress would become a tangle of disputes and probably litigation. The report of the proposed liquidator said that in those circumstances it would be extremely difficult to sell any of the business.

If an administration order were made the company would have a breathing space. It had been able to negotiate an armistice with Berkley House by which the latter would, conditionally on an administration order being made, provide sufficient funding to enable the company to complete four contracts.

It was hoped those contracts would produce a profit and that it might thereby be possible to stabilise and preserve a business which could either survive or be sold to a third party. Meanwhile, it might be possible to negotiate a settlement of the underlying dispute with Berkley House.

The administration order was proposed in order to achieve two of the purposes specified in section 8(3) of the Insolvency Act 1986: "(a)the survival of the company . . . as a going concern", and "(d)a more advantageous realisation of the company's assets than would be effected on a winding-up".

Section 8(1) gave the court jurisdiction to make an administration order if it was "satisfied" that a company "is or was likely to become unable to pay its debts", and if it "considers" that an order would be "likely" to achieve one or more of the purposes specified in section 8(3).

The company was unable to pay its debts. Whether the order would be likely to achieve one of the specified objects was not so easy to answer.

In *Re Consumer & Industrial Press Ltd (1988) 4 BCC 68* Mr Justice Peter Gibson said "likely" to be achieved in section 8(3) "does not mean that it is merely possible that such a purpose will be achieved: the evidence must enable the court to hold that the purpose in question will more probably than not be achieved."

He therefore required that on a scale of probability of O (impossibility) to 1 (absolute certainty), the likelihood of success should be more than O.5.

That standard of probability was too high, for the following reasons:

First, "likely" connoted probability, but the particular degree of probability intended must be gathered from qualifying words (very likely, quite likely, more likely than not) or context. It could not be a misuse of language to say that something was likely without intending to suggest that its probability exceeded O.5.

Second, the section required the court to be *satisfied* of the company's actual or likely insolvency, but only to *consider* that the order would be likely to achieve one of the stated purposes. There must have been a reason for that change of language. It indicated that a lower threshold of persuasion was needed in the latter case than the former.

Third, some of the stated purposes were mutually exclusive and the probability of any one of them being achieved might be less than O.5, but the probability of one or other of them being achieved might be more than O.5. It was doubtful that Parliament intended the courts to embark on such calculations of cumulative probabilities.

Fourth, section 8(1) only set out the conditions to be satisfied before the court had jurisdiction. The court still retained a discretion whether or not to make an order. It was therefore unlikely that the legislature intended to set a modest threshold of probability to found jurisdiction and to rely on the court's discretion not to make an order in cases in which, weighing all the circumstances, it seemed inappropriate to do so.

Fifth, the *Report of the Review Committee on Insolvency Law and Practice (Cmnd 8558, para 508)* which recommended the introduction of administratorship, said the new procedure was likely to be beneficial only in cases where there was "a real prospect of returning to profitability or selling as a going concern". Elsewhere it spoke of an order being made if there was a "reasonable possibility" of a scheme of reconstruction.

The court thought that that kind of phraseology was intended to be reflected in the statutory phrase "considers that [it] would be likely" in section 8(1).

The requirements of section 8(1)(b) were therefore satisfied if the court considered there was a real prospect that one or more of the stated purposes might be achieved.

It might be said "real prospect" lacked precision compared with O.5 on the scale of probability, but the courts were used to dealing on other contexts with such indications of degree of persuasion. "*Prima facie* case" and "good arguable case" were well-known examples.

On the evidence there was a real prospect that an administration order, coupled with the agreement with Berkley House, would enable the whole or part of the company's undertaking to survive, or at least enable the administrator to effect a more advantageous realisation of assets than in a winding up. The prospects for the company, its employees and creditors looked bleak if no administration order was made and there had to be a winding up.

Consequently, although the court could not say it was more probable than not that one of the specified purposes would be achieved, it accepted the opinion of the prospective administrator that the making of an administration order offered the best prospect for preserving the company's future and maximising the realisation of its assets for the benefit of its customers.

The order was made.

For the applicant directors: Matthew Collings (William Prior & Co)

Rachel Davies
Barrister

TECHNOLOGY

High speed transistor

By David Fishlock

AT&T Bell Laboratories claims to have developed a bipolar transistor 12 times faster than the switches used in today's most powerful supercomputers.

It reported on the new opto-electronic device – capable of switching 140 bn times each second (gigahertz) – at the International Electron Device meeting in San Francisco this week.

The scientists made it almost atom-by-atom, by a technique invented at Bell Labs in 1980, called gas-source molecular beam epitaxy, which can deposit layers of semiconductor only a few atoms thick. The inventor, Morton Panish, likens his technique to spraying atoms. "It allows us to control with extraordinary precision the thicknesses and electrical properties of the layers."

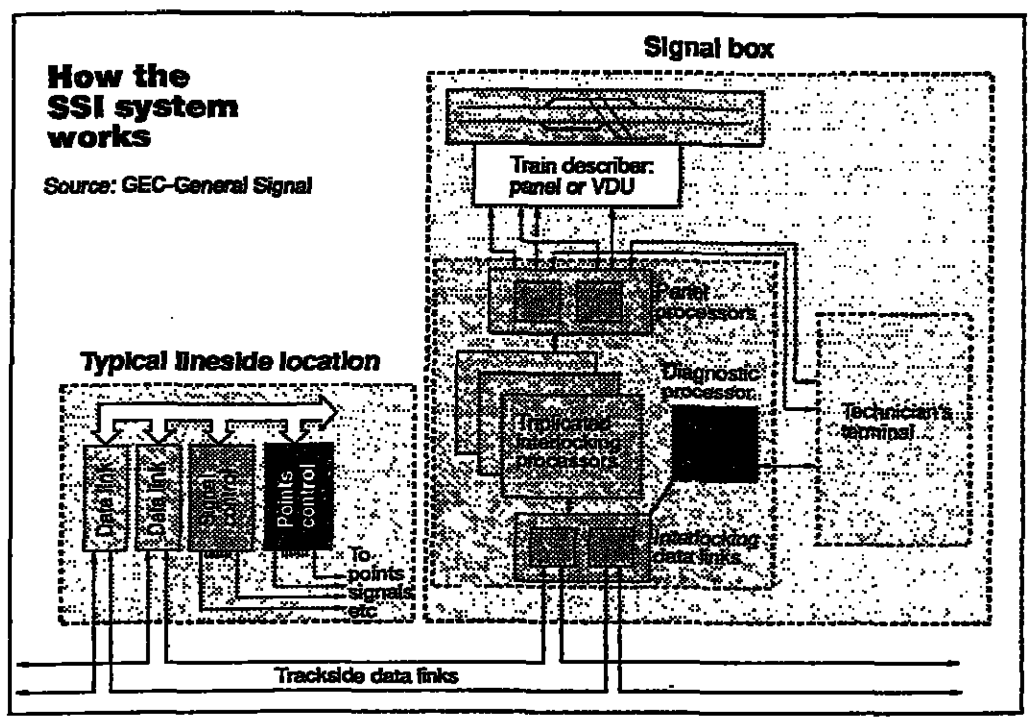
The device is a sandwich of two semiconducting compounds, indium phosphide and gallium indium arsenide. Electrons move across this transistor sandwich about five times *faster than in the customary* silicon bipolar transistors, because they are slowed by far fewer collisions with atoms. The result is a device which switches rapidly and consumes little power.

Bell scientists believe that even greater switching speeds can be achieved. They speculate that the device could find a role as a switch in future lightwave communications systems, which would have much higher (gigabit) frequencies and hence much greater capacity.

"Some day it might also be integrated on the same chip with present lightwave devices, such as lasers and detectors, made of the same materials system," suggests Richard Nottenburg, a member of the team.

Special facilities for engineering

SIRA, an applied research company of Chislehurst, UK, is *offering its specialist engineering* and production facilities on a contractual basis for the manufacture of high precision optical, electronic and mechanical components and assemblies. The facilities should mainly interest aerospace and defence companies.



Locking safety into the computer controls

In the aftermath of the London train crash, Della Bradshaw looks at advances in signalling systems

This week's rail crash near Clapham Junction in south London, which left 33 dead, has focused attention on, among other things, the safety of signalling systems.

Like many other areas of rapid, crowded transport, rail signalling is being taken over by the microchip. Electro-mechanical equipment is being ousted by computer-controlled systems in the signal boxes, at the trackside and in the trains.

Radio signalling *and optical* fibre cables, which can transmit enormous amounts of data over hair-thin strands of glass, are replacing the traditional cabling. In the future, railway networks could even be controlled from space.

One of the most important developments has been the introduction of solid state interlocking (SSI), which uses a computer to imitate the way the levers worked in old-fashioned signal boxes. The term interlocking is a leftover from the days when metal bars interlocked the giant points levers with the levers controlling the signals, so that one could not move without the other.

Electro-mechanical systems, based on reed relay technology (mechanical switching operated by power-assisted levers), replaced the older system more than 20 years ago. Now these are being superceded by SSI systems, which manufacturers say are about 10 per cent cheaper.

But it is taking the railway companies some time to implement SSI technology because of the need to ensure safety. "If a relay fails, it does so in a known way. It's like a stick, you know how it will snap," says Roger Ford, technical editor of Modern Railways magazine. "A microprocessor could run berserk in any number of ways."

One of the first organisations to adopt SSI was the Japan Railway Group. In 1985, it brought a system into service on a busy suburban line at *Higashi-Kanagawa north of* Yokohama.

In the UK, which is seen as a world leader in SSI technology, British Rail, GEC-General Signal and Westinghouse Brake and Signal began work on a system in the early 1980s. To cover the safety requirement, BR ran extensive validation tests on the software and then froze it so that it could not be altered in any way. Although operational software can be changed to adapt the system to different railway companies or individual lines, the crucial processing software cannot.

SSI systems work on data sent by cables from the railway track; the most important information is to identify which sections of the track are occupied. With the British system, the signal operator can only change the *signals or* points if three microprocessors or computers agree to allow the change. If one of the three signals develops a fault and disagrees with the other two, it opts out by overloading the circuit and blowing a fuse.

The system operates a *fail* safe mechanism: if there is any fault, the signals automatically switch to red.

Other companies have gone for a different type of SSI (although this electronic system was invented in the UK, it has become a generic term). General Railway Signals of the US and Sweden's Ericsson Signalling Systems have single processor systems, which run two software programs simultaneously. The programs, written by two teams of software engineers, perform the same *function as* the two processors in the UK-developed system: if the two programs do not agree the signals or points cannot be changed.

Generally the equipment must cope with many different types of traffic: high-speed, *local or freight trains. Where* countries have invested in separate networks for high speed trains, they have used different signalling techniques.

Japan Railways Group developed its high speed shinkansen, or bullet train, network 20 years ago. *Instead of using* trackside signals – which are difficult for drivers to see when the trains are travelling at up to 240 km per hour – the information is picked up and displayed inside the driver's cab.

The digital display indicates whether the train *should* slow down or accelerate. If the driver fails to slow down quickly enough, the computer in the cab takes over automatically and puts on the brakes.

The signal is sent to the driver's cab from transmitters on the track, which in turn *receive it from* a central control point. "There are just two signalling posts on 1,800 km of high-speed lines," says Tatsuhiko Suga, director of Japan Railways' Paris office. "One post handles the 1,100 km of track from Tokyo to the west *and the other the 700 km from* Tokyo northwards."

Similar signalling in cab systems are used on high speed lines in France and West Germany. France's TGV (*train à grande vitesse*) 427 km route from Paris to Lyons, for example, *is controlled* from the Gare de Lyons in Paris.

Countries which have no separate high-speed tracks may have to go to the expense of adopting in-cab signalling if they want to introduce faster trains, which take longer to stop.

One option open to BR in the UK is to use in-cab signalling to enhance the existing system on its proposed 140 mph class 91 Electra trains. It had planned to use an in-cab system on its defunct advanced passenger train. (Because of the inquiry into the Clapham Junction disaster, which is believed to have been caused by a signalling failure, BR refused to talk about its future plans for signalling.)

With BR's current system there are four colour combinations: green, double yellow, yellow and red. The proposal is that when a very fast train passes a green signal, data will also be fed into the cab to indicate whether the next signal is to be green (allowing the train to continue at 140 mph) or double yellow (in which case the train should slow to 125 mph).

BR has already installed a type of in-cab signalling in trains on rural routes, where it is cheaper to send the signalling information to the driver by radio, than to install trackside signals.

In the US, radio systems are used to locate trains. General Railway Signals has developed a system in which electronic tags are placed at regular intervals along the trackside. These are read by the trains as they pass, and they send back radio signals to the computer control centre to inform the operators of their location. The operations centre then transmits radio signals back to the cabs informing the drivers about speed limits.

But this only transmits data, which takes up a tiny amount of radio bandwidth. Radio systems to enable voice communications between train drivers and control centres are being installed, but take up much more space in the spectrum.

Geostar and Rockwell, in the US, are selling train location systems that use satellite communications instead of terrestrial radio links. The information is beamed up from the train to the satellite and on to *the control centre. Instructions* take the reverse route.

The US is particularly prominent in satellite location systems because of the huge distances covered by a relatively small number of trains.

Michael Boden, managing *director of GEC-General Signal,* believes the technology is not yet precise enough for use in Europe. "We have looked at satellite technology and although it is possible to pinpoint trains to within a few metres, we have to ask whether it can be done in a fail-safe way. We're not satisfied that it can."

However, in France, the *Société Nationale des Chemins de fer Français* (SNCF) is planning to operate a satellite location system with France Telecom by the turn of the century.

A diverless way to build subsea wells

By Mark Meredith

BP has put on display its solution to the problem of tapping oil at great depths.

The Diverless Subsea Production System (Disps) is a large structure of interlocking production units, which can be assembled by remote control in a steel frame on the seabed.

It is designed for the next generation of oil exploration and development in water more than 350 metres deep: too deep for divers to handle the final assembly. BP wants the system to work at depths of up to 450 m and plans to improve it so that it will operate ultimately at 750 m.

Disps is seen as a way to increase exploitation of North Sea reserves. The project opens up the possibility of reaching small accumulations of oil which would not justify a full production system.

At £19m this is the most expensive research and development project run by the Petroleum Development side of BP.

A Disps field would first see the big steel frame lowered to the seabed. Drill ships would then be used to drill eight wells through holes in a template. The various parts would then be lowered from a ship and *stacked on top of each* other in bays within the frame.

The ship will use its dynamic positioning facilities – computer-activated propellers linked to a satellite navigation system – to keep the vessel within a few feet of its required *position*.

Although motion compensators on the ship will overcome some of its movement, the strength and cradle formation of the frame are designed to guide each unit into place, even if it is approaching the frame *at a 15 degree angle*.

Some of the problems of assembly at great depths are being simulated on a land-based test rig, fabricated at Davy Offshore Modules in Middlesbrough. Here units have been lowered by a crane at some speed and with a considerable clank. But hydraulic shock absorbers stop the module, allowing it to connect with the section below.

The units which will be lowered to the seabed include the "Christmas tree" with all the production valves. Beside it stands a stack of modules: the isolation valve, production choke, flow control and production control.

Standardised locking systems allow units to be lifted out and replaced, which facilitates servicing.

Connections and the operation of valves are carried out through hydraulic lines which rise in a bundle, with the control lines, to the ship.

The Disps will be connected either to a production platform or to a floating control base. It has no facilities to handle the separation of oil and gas or for pumping oil and gas to storage or shipment points. Over-ride systems can shut down a unit in case of a failure.

The system allows small satellite production wells to be tied into the main structure. The eight wells can either be used for oil extraction or for injecting water to maintain the pressure in the underground oil reservoir. The technique of injecting gas, known as gas *lift*, can be used to *lighten* the weight of the rising column of oil.

A team of seven full-time BP engineers have worked on Disps since the project started in 1986. Mark Woolveridge, director of BP Engineering Services, says *that* a working model should be ready for underwater trials in Loch Linnhe, in the west of Scotland, next year. A prototype may later be tested in the Moray Firth off the Scottish east coast. It is hoped the system will be *ready for* commercial application within the next couple of years.

The fall in the oil price and the tailing off of large oil accumulations in the North Sea have made subsea production systems an attractive alternative. *Safety factors* also mean that oil companies prefer to keep diver activity to a minimum.

Statistics from the Association of Offshore Diving Contractors show that 1,700 divers were working offshore in the *North Sea during a census* week this year – well below the 2,360 recorded in 1986.

Disps has financial assistance from the European Community. Elf Petroleum, part of the French oil company, has helped fund a delivery system for the modules.

Eggs. The Facts.

EGGS ARE A VALUABLE AND NUTRITIOUS part of a balanced diet.

We in Britain eat, on average, 30 million eggs a day – 200 million a week.

The number of reported cases of food poisoning from salmonella linked to eggs is very small by comparison with the huge numbers of eggs that are consumed.

So far this year there have been 49 reported outbreaks of salmonella traced back to eggs. These outbreaks have affected 1,000 people, but this underestimates the numbers.

The Government and the industry are tackling the problem and, among other things, have issued codes of practice for poultry breeders and egg producers.

In the meantime people will want to know the facts about a basic part of their daily diet.

The Government has therefore asked its Chief Medical Officer, Sir Donald Acheson, to advise the public about the use of eggs. Sir Donald's present advice is:

> "for **healthy people** there is very little risk from eating eggs which are **cooked,** however you prefer them – boiled, fried, scrambled or poached;
>
> for **vulnerable people** – that is, **the elderly, the sick, babies, toddlers** and **pregnant women** – eggs should be thoroughly cooked until the white and yolk are solid;
>
> but **everyone** should **avoid** eating **raw eggs or uncooked foods made from them** – for example, home-made mayonnaise, home-made mousses, home-made ice-cream or raw eggs mixed with drinks."

The Chief Medical Officer adds:

> "As with all cooked foods, **egg dishes should be eaten as soon as possible after cooking.** And if the dishes are not for immediate use they should be **kept in the fridge.**"

Please follow this advice.

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THE PROPERTY MARKET

Not quite a runaway success

Paul Cheeseright asks whether Gateshead's MetroCentre will begin an out-of-town shopping trend

MetroCentre is basking in the consumer boom. The seasonal sales might have come early to Oxford Street in London this year but there are precious few announcements of price reductions at MetroCentre.

It is the first and biggest out-of-town shopping complex in the country, built on the site of a waterlogged coal ash tip in Gateshead. Chesterton, MetroCentre's managing agents, expect shoppers to spend £340m at the centre this year.

If developers have their way there would be similar ventures scattered around Britain on the edges of the main cities. But the Government's cautious, if ambivalent, planning policy on major shopping centres has restricted them. With Merry Hill, at Dudley near Birmingham, MetroCentre remains the only testing ground for a style of retailing new to Britain but familiar in the US and the only source of information on which to judge the impact of a rival to the traditional city centre.

So far MetroCentre has been lucky. It had a cost structure subsidised by the 100 per cent building allowances available in all Enterprise Zones. Its space was let against a background of retailers chasing each other around for space. It opened at a time of rising consumer expenditure.

All the basic economic factors have been in its favour and have remained so. Anecdotal evidence suggests that the strains which have appeared in the retail sector in the south east, as higher interest rates take effect, have not yet arrived at MetroCentre.

Which is just as well for the Church Commissioners, who are the freeholder after purchase of the project from Cameron Hall Developments. MetroCentre opened in late 1986 and the initial months were sticky as MetroCentre did better with visitors than it did with shoppers. Since July 1987 the number of visits and the amount spent have both increased.

MetroCentre has established itself in the retail fabric of the region, but surveys of customers have shown that so far it has only had limited success in breaking down what appears to be a traditional distaste of those north of the Tyne for shopping south of the Tyne.

With a momentum of trading building up, the last thing the Church Commissioners would want is a downturn in retail spending. As it is, they are receiving a yield on their investment, now worth around £200m, of probably around 7 per cent.

However, there is extensive debate about how successful MetroCentre actually is. If it had been a runaway success then it is reasonable to assume that other shopping complexes in the area, notably Eldon Square in Newcastle city centre, owned by Capital and Counties and the Newcastle City Council, would have been hurt more than they have been.

The effect of MetroCentre appears to have been marginal. As far as present trading is concerned, Mr Gordon Allanson, the Eldon Square manager, concedes that the picture is mixed. Some fashion areas are not doing very well. The stores which have traded well nationally – John Lewis Partnership, Fenwicks, Body Shop, Sock Shop and so on – have been trading well at Eldon Square. Those with acknowledged problems – BhS for example – have the same problems at Eldon Square. Marks and Spencer is holding its own and considering expansion.

So it looks as if MetroCentre has pinched the growth in regional trade and topped this up with customer visits from outside the Tyne and Wear area and from as far away as Norway. But when MetroCentre trading levels are pulled down to figures there is room for dispute.

Chesterton's predicted £340m turnover for 1988 is based on an electronic monitoring of car visits, on the assumption that one car equals one customer and the further assumption that the average customer spends £52 during a visit to MetroCentre.

This figure of £52 is based on surveys of customers carried out for Chesterton and the Church Commissioners by PA Cambridge Economic Consultants last June and now being updated. As 69 per cent of MetroCentre visits are by car, Chesterton argues that the overall turnover figure could be an underestimation.

But other research carried out by the Oxford Institute of Retail Management suggests that the actual level of spending by each customer is lower than that found by PA. This research, carried out in June, found that the average customer was spending £40 on Saturdays and £34 during the week. If this is correct then Chesterton's turnover figure is overestimated rather than underestimated.

The position is further complicated by the presence at MetroCentre, in addition to the three miles of shop-fronts and the 1.5m sq ft of retail space, of a 70,000 sq ft leisure area (a funfair by any other name), a multi-screen cinema and soon a bowling alley. The place, as Chesterton puts it, is "a township out of town." There must inevitably be some confusion in the customer counts among the people who come to shop and those who come for the leisure facilities. The relationship between leisure and retail is not yet fully understood.

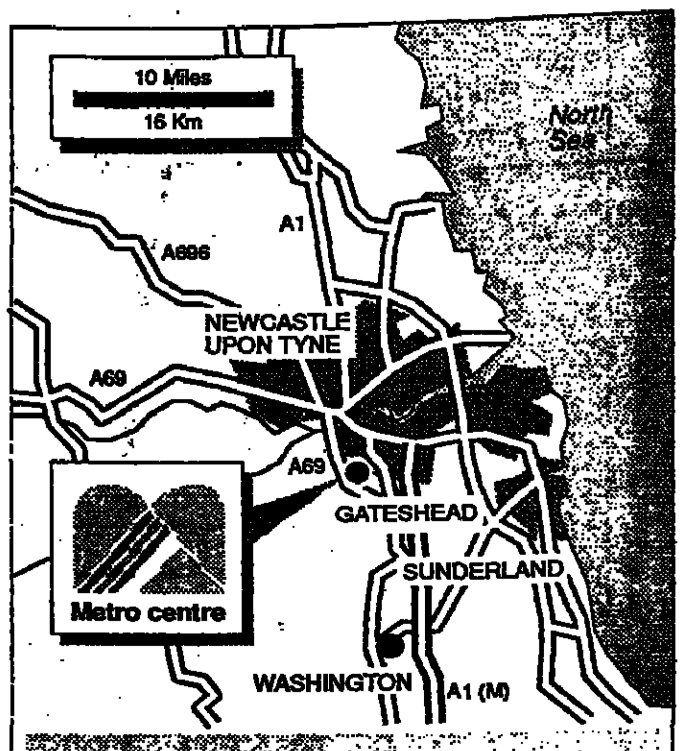
Bandying around the figures may look a rather arcane exercise but it has its significance in a wider context. The steps which MetroCentre has taken to find its commercial niche, will be used as evidence in planning enquiries to help establish whether similar centres should be established elsewhere.

At the same time the build-up of MetroCentre provides a lesson for retailers and will influence their attitude to similar ventures. At the moment it is too early to make any final judgments, especially because the Enterprise Zone provisions provide retailers with cost concessions.

But the retailers' experiences have not been uniformly happy. Boots and Sears had initial problems. Baily has recently pulled out. Smaller concerns found it difficult to become established. Recently three shops in the antiques court withdrew.

Having said that, there is no shortage of demand for space. The vacancy rate at MetroCentre is less than 2 per cent and rents have risen for new entrants by about 50 per cent. Woolworth, which has recently taken space, is paying £75 per sq ft Zone A, about half Oxford Street levels and much the same as would be paid in Cardiff.

The rise in rents is a reflection of the national pattern, but they have come off a low base. Initially the MetroCentre rents were set at roughly half those of Eldon Square. But it will only be after the first rent reviews and the imposition of the uniform business rate that the true competitive position of MetroCentre will emerge.



Who shops

Social class		Age of shoppers	
Middle class - upper	21%	16-24	23%
Middle class - lower	30%	25-29	15%
Working class - skilled	28%	30-39	23%
Working class - unskilled	21%	40-49	16%
		50-59	12%
		60+	11%

... and when

Monday 12%	Tuesday 13%	Wednesday 14%
Thursday 19%	Friday 17%	Saturday 25%

هكذا من الأصل

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B.C.Hydro shall lease back the entire head office building for a minimum of three years and a maximum of seven years dependent upon completion of its new head office facility.

Expressions of interest from principals must include their financial capability, with all material received held in confidence by B.C.Hydro. Agents will require direct written authorization from their principals and B.C.Hydro will not pay any agent's fees or commissions.

Qualified proponents will be notified in early January 1989 and an information package will be made available upon payment of a $2,000 CDN non-refundable fee and execution of appropriate documentation.

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CONTRACTS & TENDERS

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Scope to include design, supply, installation and commissioning of the System.

The tunnel will be divided, from portal to portal, into forty eight independent fire detection zones Each zone will report information to the Fire Control Centres, through the Tunnel Transmission System. Each zone will consist of a number of protected rooms. The protected rooms will be equipped with detectors and manual call points.

The equipment will consist of:-
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- Manual Call Points
- Local Fire Detection Units
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- Halon Warning Lights
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- Interconnecting Cables
- Display and Supervision equipment in the
- Fire Control Centres

Applications from interested Companies wishing to receive the Prequalification Questionnaire for completion, should be made by 9th Janaury 1989 to:-

M.G. Rylance,
Contracts Administration Manager,
Translink Joint Venture
And/Or GIE Transmanche Construction,
Surrey House,
Throwley Way,
Sutton,
Surrey, SM1 4WA

Fax: 01-643 998
Telex: 927388 TMLINK G

SUPPLY OF ROAD TRAFFIC MANAGEMENT SYSTEM FOR THE FIXED LINK BETWEEN FRANCE AND THE UNITED KINGDOM

Translink Joint Venture and/or GIE Transmanche Construction, Contractor for construction and equipment of the Channel Tunnel Project invite applications for prequalification for Road Traffic Management System.

Scope to include design, supply, installation and commissioning of the System.

The System controls vehicles entering the concession and gives guidance through the Terminal areas according to the vehicle category and status of the Terminal facilities. The System provides for toll collection, ticket issue, transfer of funds and related accountancy. It includes equipment for the control of traffic through frontier formalities. An important function of the System is the allocation of vehicles to shuttles and providing drivers with information guiding them to the appropriate platform and shuttle.

Applications from interested Companies wishing to receive the Prequalification Questionnaire for completion, should be made by 9th January 1989 to:-

M.G. Rylance,
Contracts Administration Manager,
Translink Joint Venture
And/Or GIE Transmanche Construction,
Surrey House,
Throwley Way,
Sutton,
Surrey, SM1 4WA.

Fax: 01-643 9988
Telex: 927388 TMLINK G

OT5/0579/GE/DPT/SJW
12th December 1988

LEGAL NOTICES

No 005897 of 1988

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF
DEN NORSKE CREDITBANK PLC
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order and Minute of the High Court of Justice (Chancery Division) dated 7 November 1988 confirming the reduction of the capital of the Company from £50,000,000 to £25,000,000 and the reduction of the amount standing to the credit of Share Premium Account of the above-named Company by £5,500,000 both respectively resolved on and effected by a Special Resolution passed at the Extraordinary General Meeting of the Company held on 8 September 1988 was registered by the Registrar of Companies on 30 November 1988.

Dated this 13th day of December 1988

FRESHFIELDS (IT/TGC/29081L)
Walden House
17-24 Cathedral Place
LONDON EC4M 7JA

Solicitors for the above-named Company

THE COMPUTER INDUSTRY

The Financial Times proposes to publish this survey on:

22nd February 1989

For a full editorial synopsis and advertisement details, please contact:

Meyrick Simmonds on 01-248 8000 ext 4540

or write to him at:

Bracken House
10 Cannon Street
London
EC4P 4BY

COMPANY NOTICES

NOTICE OF MODIFICATION OF WARRANTS
PASCO CORPORATION

U.S.$50,000,000 4⅜ per cent. Guaranteed Notes due 1991
and
U.S.$85,000,000 1⅝ per cent. Guaranteed Notes due 1992
with Warrants to subscribe for shares of common stock of
PASCO CORPORATION

NOTICE IS HEREBY GIVEN, in accordance with the Instruments by way of deed poll executed on 26th March, 1986 and 9th July, 1987, respectively, by Pasco Corporation (the "Company") in connection with its issue of bearer warrants (the "Warrants") to subscribe up to ¥9,015,000,000 and ¥12,554,500,000 for shares of common stock of the Company, respectively, that the Company has executed two Supplemental Instruments by way of deed poll dated 16th December, 1988 modifying the terms of the Warrants. From 16th December, 1988 the Dividend Accrual Period defined in Condition 4 of the Terms and Conditions of the Warrants shall mean the six-month period from 1st October, 1988 ending on 31st March, 1989 and thereafter each one-year period ending on 31st March in each year.

This modification is made consequent to a resolution dated 16th December, 1988 of the general meeting of the shareholders of the Company changing the fiscal year of the Company.

Shares issued upon exercise of any Warrant during the period from 1st October, 1988 to 31st March, 1989 shall entitle the holders thereof to participate in full in any dividend on the Shares with respect to the entire six-month Dividend Accrual Period from 1st October, 1988 to 31st March, 1989, in accordance with Condition 4 of the Terms and Conditions of the Warrants.

PASCO CORPORATION
Kiyoharu Nakashima
President and Representative Director
The Mitsubishi Bank Limited, London Branch
As Principal Paying Agent

16th December, 1988

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TO THE NOTE HOLDERS OF WARRANTS to subscribe for shares of common stock of DAIKYO INCORPORATED
U.S.$ 200,000,000
3 3/4 per cent. Guaranteed Bonds due 1992 with Warrants

At the ordinary general meeting of shareholders of the Company held on 16th December, 1988, a resolution was adopted to amend the Company's Articles of Incorporation so as to change the Company's financial year-end from 30th September to 31st March. As a transitional measure, the Company will have a six-month financial year running from 1st October, 1988 until 31st March, 1989 and thereafter its financial year will run from 1st April to 31st March in the next year. As a consequence, the record dates for the payment of annual dividend and interim dividend will be 31st March and 30th September, respectively in each year, except for the fiscal year running from 1st October, 1988 until 31st March, 1989 where there will be no interim dividend or record date therefor.

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For a full editorial synopsis and advertisement details, please contact:

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

COMPANY NOTICES

EUROPEAN ECONOMIC COMMUNITY
ECU 50.000.000
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We inform the bondholders that the redemption instalment of ECU 6.250.000, nominal due on 7 February, 1989, has been satisfied by a drawing on 9 December, 1988, in Luxembourg in the presence of an huissier. The 6.250 drawn bonds will be reimbursed at par on February 7, 1989.

In accordance with the terms and conditions of the bonds, the issuer has elected to redeem anticipatively all of its outstanding bonds at 101% on February 7, 1989.

Interest on the bonds will cease to accrue on February 7, 1989.

The bonds (drawn or called anticipatively) will be reimbursed, coupon nr 7 due on February 7, 1990 and following attached, according to the modalities of payment on the bonds.

The numbers of such drawn bonds are as follows:

3182 à 9431

The serial number of bonds previously drawn were as follows:

As of 7 February 1986: from 25.043 to 31.292
As of 7 February 1987: from 19.764 to 25.042 and from 31.293 to 32.263
As of 7 February 1988: from 9.869 to 16.118

THE PRINCIPAL PAYING AGENT
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Notice to the Holders of
EUROPEAN INVESTMENT BANK
Italian Lire 200 Billion
Floating Rate Notes Due 1996

Coupon No 3 due from December 9, 1988 to June 9, 1989 will be payable from June 9, 1989 at the rate of 12%

Itl. 599.356.- per Itl. 10.000.000 Nominal
Itl. 5.993.562.- per Itl. 100.000.000 Nominal

December 16, 1988

SANPAOLO-LARIANO BANK S.A.
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Dividend Notice

At the Annual General Meeting held on December 9th, 1988, the shareholders decided the payment of a dividend of US$ 0.80 per share, payable on or after December 16th, 1988 to shareholders of record on December 9th, 1988 against surrender of coupon No. 17. The shares will be quoted ex-dividend as from December 9th, 1988.

By order of the Board of Directors

ARTS

Arts Week

F | S | Su | M | Tu | W | Th
16 | 17 | 18 | 19 | 20 | 21 | 22

EXHIBITIONS

London

The Royal Academy. Toulouse-Lautrec: The Graphic Works. Comprehensive selection principally of lithographs, from the definitive collection made by Otto Gerstenberg of the graphic work of this brilliant and innovative draughtsmen. Joint admission tickets are generally available for concurrent exhibitions at the Royal Academy. Ends Jan 4.
The National Gallery. Rembrandt: Art in the Making. A small but highly informative study exhibition, prepared by the Gallery's technical department and centred on the major works by him in the collection, treating on Rembrandt's working methods and materials. Ends Jan 17.
The Tate Gallery. David Hockney: A Retrospective. London's main gallery of modern art offers *a full study of the golden boy* of British art at the age of 50. It concentrates on the painting rather than graphic work of this most prolific of artists, who has enjoyed the most extraordinary popular success from the very start of his career, nearly 30 years ago. Ends Jan 8.
The Serpentine Gallery. Rory McEwen: a retrospective exhibition of botanical paintings in the great tradition of botanical study, made over a career 30 years by an artist who died 6 years ago at the age of 50. Also photographs of Iceland and the remote northern islands by Thomas Joshua Cooper. Until Jan 8.

Paris

Louvre. Pavillon de Flore. Rembrandt and his school are on *show in two exhibitions at the* Louvre. 72 drawings constitute a panorama of Rembrandt's masterly work and can be compared with 54 drawings executed by his pupils. The other exhibition consists of 29 canvases by Rembrandtesque artists and is especially interesting in view of the recent controversy about attributions of some of Rembrandt's own paintings. Both exhibitions closed Tue, the first ends Jan 30, the second March 27. Entry from the Quai des Tuileries, opposite Pontroyal (42 60 39 26).
Centre Georges Pompidou. Tinguely's tinkering genius sets his machines swirling and whirring in a riot of colours, yet the mood of the 100 exhibits moves from the exuberance of inventionto metaphysical preoccupations in his recent works. Closed Tue, Ends March 27 (42 77 12 33)
Centre Georges Pompidou. Tinguely's tinkering genius sets his machines swirling and whirring in a riot of colours, yet the mood of the 100 exhibits moves from the exuberance of inventionto metaphysical preoccupations in his recent works. Closed Tue, Ends March 27 (42 77 12 33) Ends Jan 2.
Chapelle de l'Ecole des Beaux Arts. From Dürer to Baselitz. Some 126 drawings lent by the Kunsthalle in Hamburg retrace the panorama of German graphic art. From the slightly rustic realism of the 15th and early 16th century, with Hans Baldung Grien's solidly built Eve and Dürer's quaintly dressed lovers, through the 19th century romanticism of Caspar David Friedrich, and on to the nightmarish contemporary images, the visual arts follow closely Germany's historical destiny. 14 rue Bonaparte (49.27.01.18). Ends Dec 31.

Brussels

Le Botanique Contemporary Soviet Painting. Works of 12 modern Soviet painters including Steinberg, Roeter, Edzgveradze, Filatov, Ohvikov, Yankilevsky. Closed Monday. Ends Dec 31.
Musée d'Art Moderne, 1-2 Place Royale. The First Group of Laethem-St Martin 1899-1914. A tribute to the colony of Flemish artists whose stylised paintings of rural and religious themes were to inspire a later school of Flemish expressionists. Closed Mon. Ends Dec 31.
Musées Royaux d'Art et d'Histoire, Parc Cinquantenaire. China, Heaven and Earth, 5,000 years of Invention and Discovery. Instruments and artworks largely from collections in Belgium, China and Britain which illustrate Chinese innovations in science and technology. Closed Monday.
Musée d'Ixelles, 71 rue Jean van Volsem. Belgian Art Deco 1920-40. Daily 13-19.30. Sat and Sun 10-17.00. Closed Monday. Ends Dec 18.
Musée d'Art Ancien. From Manet to Picasso: The Reader's Digest Collection. Impressionist and Post-Impressionist works from the corporate headquarters in Pleasantville, New York. Closed Monday, ends Jan.22.
Palais des Beaux-Arts, 23 rue Ravenstein-Claes Oldenburg. A Bottle of Notes and some Voyages. Sculptures, drawings and models that reach beyond the genre of Pop Art. Closed Monday. Ends Dec.30 (512 50 45)

Rome

Palazzo dei Conservatori (Campidoglio). Glass of the Caesars. Queues are stretching right across Michelangelo's Piazza, waiting patiently for a glimpse of the immensely sophisticated ornamental glass and tableware belonging to the imperial Roman court. Sponsored by Olivetti (celebrating its 80th birthday) and co-ordinated by the British Museum, the exhibition has already toured the three major donor museums: the Corning Museum of Glass (New York *State*), *the* British Museum and the Romisch-Germanisches Museum in Cologne. It contains masterpieces dating from the 1st century BC to AD500, most of which have been included on the earlier part of the exhibition's itinerary. The Rome version lacks the British Museum's Portland Vase, but contains three particularly interesting additions. One of *the loveliest* is a deep purple silver handled wine-bucket, engraved with a Dionysian scene (4th century AD, from the treasures of St Mark's, Venice). The show is proof of the extraordinary good taste of the Caesars and their enlightened attitude to the decorative arts. Constantine did his part to encourage glass-makers in AD37 by exonerating them from a special tax levied on all craftsmen. Until Jan 31.
Galleria Nazionale d'arte Moderna. Witty conceptual art by one of the best of the middle generation of Italian artists, Giulio Paolini, born in Genoa in 1940. Until Feb 26

Venice

Museo Correr a la napoleonica: Giorgio de Chirico (1888-1978): a major retrospective organised jointly by the Galleria Nazionale d'Arte Moderna in Rome and the Giorgio de Chirico Foundation to celebrate the centenary of the painter's birth. On show are over 150 works from public and private collections, including the Metropolitan and Guggenheim in the USA, and the Pompidou in Paris, by a painter declared dead in the 1920s by Andre Breton, author of the surrealist manifesto, who disliked his change of style from metaphysical to poetic. Ends Jan 15.

New York

Metropolitan Museum of Art. An exhibition of architecture on paper covers four centuries of drawings including works by Frank Lloyd Wright, Louis Comfort Tiffany and Arata Isozaki, as well as the west facade of the Alhambra that dates back to 1580. Ends Jan 8.
New York Public Library. Two millennia of Hebrew books and illuminated manuscripts feature 185 rare and beautiful works, half from the library's own collection and half borrowed from abroad. Among the rarest historic items are Dead Sea scrolls, the 13th-century Xanten bible from Germany and the Nahum Commentary. Ends Jan 14.
National Gallery. Phillips Collection. The modern vision of the pastoral landscape, with works by Gainsborough, Constable, Blake, Eakins and Cezanne, among others, is part of an unprecedented 136-work, two part show, the other half of which, depicting Venician landscapes of five centuries, is at the National Gallery.

Chicago

Art Institute. Dante Gabriel Rossetti, J.E. Millais, Edward Burne-Jones and Simeon Solomon take *centre stage for this British* drawings show, called "From the Ridiculous to the Sublime," which covers a century from Thomas Rowlandson's satires through Turner, Martin and Lear to the pre-Raphaelites. Ends March.

Washington

National Gallery. Phillips Collection. The modern vision of the pastoral landscape, with works by Gainsborough, Constable, Blake, Eakins and Cezanne, among others, is part of an unprecedented 136-work, two part show, the other half of which, depicting Venician landscapes of five centuries. Ends Jan 22.

Tokyo

National Museum. Treasures from the Horyuji Temple. The centrepiece of this small but exquisite exhibition from the great temple in Nara is the Kudara Kannon, a graceful camphorwood statue of the Buddhist goddess of mercy, dating from the 7th century. Other works include a "dream-changing" Kannon, which the faithful believe will turn nightmares into sweet dreams. Statues, scrolls, masks, metalwork and furniture from Horyuji form part of the museum's permanent collection but, because of their extreme fragility, are only placed on public view on Thursdays. A visit on that day is therefore highly recommended. Closed Mondays. Ends Dec 18
Idemitsu Museum. Ukiyoe Paintings. Ukiyoe is usually *associated* with the woodblock print, but this delightful exhibition focuses on scroll paintings by some of the masters of the "floating world" – mainly genre scenes and portraits of beautiful women in colourful kimonos. It is drawn from the museum's own collection, as is the permanent display of Japanese and Chinese ceramics. Refreshments are available and there is a fine view of the imperial palace moat. Closed Mondays.
Teien Museum. Paintings by Leonard Fujita (1886-1968), one of the first Japanese artists to live and work in France and his arrival in Paris in 1913 coincided with the first flowering of modernism. This representative selection of 40 oil paintings is drawn from all periods of his long career.

Theatre

London

Single Spies (Lyttelton). Marvellously entertaining new Alan Bennett plays about Guy Burgess and Anthony Blunt, with Simon Callow and the author. Prunella Scales joins in as Her Majesty the Queen. In National Theatre repertoire until February 4 before transferring to West End (928 2252).
The Wizard of Oz (Barbican). Re-cast revival of last year's RSC Christmas show of the MGM film, scenically a treat but, like the Cowardly Lion, lacking heart. Ends Jan 14 (638 8891).
Richard II (Phoenix). Derek Jacobi in top form - petulant, *funny, mellifluous* - is both ideally cast and full of surprises as the monarch who exchanges trappings for knowledge. Otherwise, a production of prehistoric values, with creased tights, wimples, trumpets off and Robert Eddison as John of Gaunt (836 2294, CC 240 9661).
A Walk in the Woods (Comedy). Alec Guinness and Edward Herrmann in feeble off-duty arms negotiation encounter by Lee Blessing. Guinness, back on the London stage after 10 years, is in subtle virtuoso form as the Soviet veteran of tactical stonewalling and no-dealing tricks (930 2578, cc 839 1438).
The Secret Rapture (Lyttelton). Brilliant new David Hare piece for the National Theatre, a satirical but moving romance on life, love and family politics in Thatcher's Britain. The play of the year (928 2252, cc 240 7200).
Brigadoon (Victoria Palace). 1947 Lerner and Loewe "heather-scented" Scottish fairytale hit is handsomely revived and well sung, less frail than expected. (834 1317, cc 836 2428).
The Sneeze (Aldwych). Eight short Chekhov pieces – four vaudevilles, four early stories – translated and adapted by Michael Frayn and performed in various styles by Rowan Atkinson, Timothy West and Cheryl Campbell. Slightly rewarding, intermittently funny (836 6404, cc 379 6233).

New York

Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit.
Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).
Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its US incarnation: the skaters do not have to go round the whole theatre but do get good exercise on the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up, silly plot (586 6510).

Tokyo

Kabuki this month celebrates the art of the Onnagata (female impersonator). At the National Theatre, 71 year old Living National Treasure, Nakamura Utaemon VI, plays one of his most famous roles, perhaps for the last time, in Meiboku Sendai Hagi (The Disputed Succession). Performances at noon and (Wed, Fri) at 5pm (265 7411). Meanwhile, the 4.30pm programme at Kabuki-za (541 3131) features Osome Hisamatsu, with 35 year old Tamasaburo Bando, who is regarded by his large following among young Japanese girls as *a paragon of grace and femininity.*

MUSIC

London

Royal Philharmonic Orchestra, with the Brighton festival Chorus *conducted* by Andre Previn. Schoenberg, Brahms. Royal Festival Hall (Fri) (01-928-8800).
London Philharmonic, with the London Philharmonic Choir, conducted by Kent Nagano. Messiaen. Royal Festival Hall (Sat) (01-928-8800).

Paris

Ensemble Intercontemporain conducted by Pierre Boulez. Carter. Theatre Renaud-Barrault (Mon) (42 56 08 80).
Nouvel Orchestre Philharmonique conducted by Marek Janowski with Felicity Lott and Siegfried Jerusalem and the Radio France Choir. Franz Lehar. (Wed, Thur) Theatre Des Champs Elysées (47 20 36 37).
Nouvel Orchestre Philharmonique conducted by Marek Janowski with Felicity Lott and Siegfried Jerusalem and the Radio France Choir. Franz Lehar. (Wed, Thur) Theatre Des ChampsElysees (47 20 36 37).
Orchestre de Paris conducted by Daniel Barenboim. Isaac Stern, (violin), Daniel Barenboim, (piano). Salle Pleyel (Mon).
Orchestre de Paris Choir conducted by Arthur Oldham. Bruckner. SallePleyel (Wed, Thur) (45 63 88 73).

Amsterdam

Yehudi Menuhin conducts the Netherlands Philharmonic with Dong-Suk Kan (violin). Badings, Dvorak, Mendelssohn, Schubert Concertgebouw (Fri, Sat, Sun *(matinee)*).
Handel's Messiah performed by the Netherlands Handel Society, the National Philharmonic and soloists under Thijs Kramer. Concertgebouw (Tue)
Netherlands Chamber Choir, La Petite Bande, conducted by Sigiswald Kuijken. Bach. Concertgebouw (Wed) (718 345)
Royal Concertgebouw Orchestra, Neeme Jarvi conducting, with Boris Berman (piano). Svendsen, Prokofiev, Reger (Wed, Thur). Concertgebouw (718 345).
Juilliard String Quartet. *Mozart, Carter, Franck. (Sat) Recital Hall.*
New Netherlands String Quartet. Schubert. (Tue) Recital Hall.
Netherlands Philharmonic conducted by Bryden Thomson and Nobuko Imai (viola). Vaughan Willaims, Walton, Elgar. Beurs (Damrak) (Sun).
Victor Liberman conducting the Utrecht Conservatory String Orchestra. Shostakovich, Glazunov, Tchaikovsky. *(Mon)* Beurs (Damrak) (27 04 66).

Utrecht

Netherlands Bach Society Choir and Baroque Orchestra, with soloists, perform Bach cantatas. Conductor Jos van Veldhoven. Vredenburg (Fri)
The Radio Philharmonic with Stephen Bishop-Kovacevich (piano) under Sergiu Comissiona. Beethoven, Bruckner. Vredenburg (Sat)
Belgian National Opera in a concert performance of Verdi's Norma. Sir John Pritchard conducting. Vredenburg (Sun)
David Zinman conducts the Radio Philharmonic and Heinrich Schiff (cello). Sibelius, Schumann, Brahms. Vredenburg (Sat).
Radio Symphony Orchestra, *con*ducted by Jean Fournet with the Broadcasting Choir and soloists. Poulnec, Les Six. Vredenburg (Sun, matinee).
Amsterdam Bach Soloists Bach (Brandenburg Concertos) Vredenburg (Sun).
Guher and Suer Pekinel (piano) with percussionists. Bartok, Schubert, Gershwin, Bernstein. Vredenburg *(Mon).*
Yehudi Menuhin conducting the Netherlands Philharmonic, with Dong-Suk Kang (violin). Badings, Dvorak, Mendlessohn, Schubert. Vredenburg (Wed).

Rotterdam

Rotterdam Philharmonic conducted by Edo de Waart, with Marieke Schneemann (flute) and George Wiegel (trombone). Holst, Reinecke, Tomasi, Tchaikovsky. Doelen (Sat, Sun (matinee))
Horacio Gutierrez (piano). Beethoven, Schumann, Prokofiev. Recital Hall (Fri)

Eindhoven

The Franz Liszt Chamber Orchestra with Jean-Claude Vanden Eynden (piano). Corelli, Rossini, Mozart, Mendelssohn, Bartok. POC Theatre (Fri)
Roberto Benzi conducting the Brabant Orchestra, with Jard van Nes (contralto). Schumann, Mahler, Brahms. POC Theatre (Thur) (51 38 33)

Scheveningen

Shlomo Mintz violin recital, Bach. Circus Theatre *(Sat)*
New London Chorale, Chapel Singers and Viotta Ensemble, Christmas music. Circus Theatre (Tue, Thur) (55 88 00)
Royal Concertgebouw Orchestra under Neeme Jarvi, with Boris Berman (piano). Nordheim, Prokofiev, Nielsen. Concertgebouw (Fri).
Radio Chamber Orchestra conducted by Lucas Vis with Roger Woodward (piano), Martin Kaay and Renee Domen (guitars). Mendelssohn, De Leeuw, Messiaen, Mozart. Concertgebouw (Sat, matinee).
Rotterdam Philharmonic conducted by Edo de Waart with Nigel Kennedy (violin). Walton, Holst. Concertgebouw (Sat).
Netherlands Bach Orchestra, conducted by Willem Wiesehahn with the Amsterdam Mixed Choir and soloists in Bach's Christmas Oratorio. Concertgebouw (Sun, matinee).

Vienna

Wiener String Quartet. Haydn, Leitermeyer, Brahms. Musikverein (Fri).
Wiener Symphoniker, conducted by Stanislaw Skrowaczzewski, with Cecile Ousset (piano). Weber, Saint-Saens, Richard Strauss. Musikverein (Sat).

Cologne

Gershwin-Gala 88. Porgy and Bess with the American Opera Orchestra under Emmett Steele with soloists Karen Parks, Emerson Green and Assia Zlatkova. Philharmonie (Tues, Wed).

Frankfurt

James Galway and pianist Philip Moll. Dvorak, Feld, Back and Prokofiev. Alte Oper (Sun).
Trio Fontenay. Beethoven, Brahms and Dvorak. Alte Oper (Sat).

Berlin

Berlin Philharmonic under Lorin Maazel. Yun, German premiere of D. Glanert, R. Strauss and B. Blacher. Philharmonie (Sun, Mon).

Munich

Cherubini Quartet and Eduardo Fernadez (guitar). Haydn, Bach *and Castelnuovo-Tedesco.* Herkulessaal der Residenz (Sun).
Boston Symphony Orchestra under Seiji Ozawa. Rossini, Mozart, Beethoven. Munchen, Herkulessaal der Residenz. (Mon).

Rome/Milan

Severino Gazzelloni (flute). Bach, Vivaldi, and Haydn. Auditorium in via della Conciliazione (Fri) (6541044)
Janos Furst conducting Ravinale, Kabalevsky, Mozart. (Sat. Sun. Mon. and Tues.) (6541044).
Rai Orchestra conducted by Heinz Wallberg conductingBartok and Berlioz. Auditorium at Foro Italico (Sat) (36865625).
Jean Philippe Collard piano *recital. (Tues)* Teatro Piccolo. (3690631).

Genoa

Wiener Walzeorchester conducted by Willi Boskovsky. Viennese. Teatro Margherita.

New York

New York Philharmonic con*ducted by Zubin Mehta.* Messiaen, Mozart. Avery Fisher Hall, Lincoln Center (Tue) (799 9595).
For the Love of Music directed by Richard Sortomme. Ravel, Poulenc, Chausson. Merkin Concert Hall (Wed) (362 6719).

Chicago

Clarion Trio. Schubert, Beethoven, Kodaly, Dohnanyi. Orchestra Hall (Mon) (435 8122).
Chicago Symphony Orchestra conducted by Gunther Herbig. Shura Cherkassky (piano). Haydn, Tchaikovsky, Brahms. Orchestra Hall (Tue) (435 8122).

ARTS

CINEMA

Touch of the dodos

SUNSET
Blake Edwards

LIKE FATHER LIKE SON
Ron Daniels

JUST ASK FOR DIAMOND
Stephen Bayly

Among the lethal pieces of low-flying jargon you will meet in the film world today is the phrase "high-concept." In Hollywoodspeak, a high-concept movie is one whose idea or premise can be summed up in a phrase or sentence. Top example this Xmas season in LA, for instance, is the comedy *Twins*, starring Arnold Schwarzenegger and Danny De Vito as identical siblings. Publicity copyline: "Even their mother couldn't tell them apart." Once you have reacted to that joke, you have probably seen the film.

To a movie producer with a high-concept mind, nothing is sacred. Subtlety and complexity are sacrificed on the altar of one-line hyperbole. If Hollywood made a film of *King Lear*, it would come with the copyline, "He could handle a kingdom but he couldn't handle the three women in his life." (Back in 1948 Olivier himself did a high-concept job on *Hamlet* by prefacing his film with the immortal precis, "The story of a man who couldn't make up his mind").

High-concept film-making is rife in America today. It is part of an intemperate climate in which the average director has five seconds in which to "sell" the idea for his new movie to a studio or a mogul. If said movie does not come with an all-singing, all-dancing gimmick, he can forget it. Hence the emergence of high-concept high-definition tripe like this week's *Sunset* and *Like Father Like Son*. The concept in each of these one-horse comedies is "What if?" In *Sunset*: what if silent cowboy star Tom Mix (Bruce Willis) and real-life legend Wyatt Earp (James Garner) met and became pals in 1920s Hollywood? In *Like Father Like Son*, what if a father and son swapped mental ages so that Dad (Dudley Moore) carried on like a teenager and Junior (Kirk Cameron) like a grown-up. (Oh no, not that plot again? Yes, I am afraid so).

Sunset, written and directed by Blake Edwards of *10* and the Pink Panthers, reminds me vividly of a journey I once took along Sunset Boulevard. It was the first time I had driven a car with automatic gears. I had rashly set the vehicle in motion without prior instruction and I had no idea how to slow down, turn corners or stop. I careered along until deep into Beverly Hills and then screeched into a driveway (for all I know, Greta Garbo's), slamming on the handbrake. Only then, while the car throbbed and bucked beneath me, did I sort myself out and deduce that "P" stood for parking, "R" for reverse and "N" for neutral.

Sunset, likewise, careers along with no sense of direction, no notion of what gear it is in and no appreciation of when to stop. Its high-concept gimmick – why not pair a famous Hollywood cowboy with a famous hero from the real West? – is undone by the fact that for modern audiences Tom Mix is scarcely less remote a figure (if they have heard of him at all) than Wyatt Earp. And once the film has twinned the two men – Earp acting as consultant on Mix's movie of the gunfight at the OK Corral – Edwards appears clueless how to sustain the relationship. He opts for a fly-blown subplot about a murdered madam and a corrupt studio mogul (Malcolm McDowell), and he has the duo sleuthing through Tinseltown's mean streets as if on a fact-finding mission for the yet-unpublished Raymond Chandler.

When not behaving like a raddled comedy thriller, the film wheezes along on nostalgia, putative charm and laboured ironies. Willis sports shiny eyes, a cracked grin and a good-ole-boy swagger. Garner prinks out epigrams from a 24-hour smirk – "You and I are pretty much alike," says Earp to Mix, "part fact, part just enough fiction to sell newspapers" – and romances an unenthusiastic-looking Mariel Hemingway (as the murder victim's daughter).

This is the kind of movie often described or publicised as "an affectionate look at . . ." Always beware of affectionate looks at. They usually mean the film-maker wants you to hang up your critical responses and wear an idiot smile. And the reason he wants you to do this is that he has a dodo on his hands.

Like Father Like Son is the week's second dodo. California surgeon Dudley Moore swallows a mystery elixir and – hey presto – he exchanges mental ages with his son. This story is now so well-trodden by Hollywood (see *Big*, *18 Again* and *Vice Versa*) that it resembles some litter-strewn tourist site pounded by charabancs. Among the old jokes lying around like orange peel or bent Coca-Cola tins, you search vainly for a blade of fresh, fragrant grass.

I laughed twice. Once was when Moore shins up a tree at midnight to tryst with his (son's) next-door pal and the tree bends to another bedroom window to exhibit our dangling middle-aged hero to the shocked view of his pals' parents. Laugh two came when the son loudly ticks off his misbehaving Dad in view of a passing, hippyish postman. "Yeah, right on, lean on him!" yells the postman, transported by the sight of youth giving middle age a pasting.

Elsewhere you need to sit on a porcupine to stay conscious. Lorne Cameron and Steven L. Bloom wrote, Rod Daniel directed, and Britons might like to know that this is one Columbia dud that David Puttnam was *not* responsible for.

*

Some bad news, though, on the British front. With Christmas a mere eight shopping days away, I cannot advise friends and relatives of mine to spare the time to see *Just Ask For Diamond*. This comedy thriller, taking the mickey out of *The Maltese Falcon* and *Casablanca*, is neither comic nor thrilling enough to lure them away from the important search for just the right Armani sweater or gold cigar-cutter.

Director Stephen Bayly (of *Coming Up Roses*) directs well-meaningly from Anthony Horowitz's adaptation of his own novel *The Falcon's Maltester*. But so much mickey has been taken out of the movies here pastiched that there is scarcely any mickey left to extract, even using advanced surgery.

A couple of hardboiled lines raise a smile ("She was a woman and a half, and even the half was going to be too much for me"). But the film is too dependent on names either feebly punning (Lauren Bacardi) or feebly "funny" (a villain double-act called Gott and Himmel). Susannah York and Patricia Hodge stylishly prop up bit parts: but even the children at whom the film seems aimed might draw the line at a plot revolving round an elusive packet of Maltesers. High concept? More like cruising-altitude twaddle.

Nigel Andrews

Christmas Eve

COLISEUM

Christmas Eve, sponsored by the Friends of English National Opera, is the company's festive-season offering at the Coliseum, and the first opera by Rimsky-Korsakov to be put on at the Coliseum. For David Pountney, the producer, its addition to the repertory is a labour of love – he has made the new translation, and in this month's *Opera* he writes with affection and good humour of both the work and its composer. After the experience of Wednesday's performance I find myself quite unable to share Mr Pountney's enthusiasm, but that may be as much the effect of the over-egged, over-sugared confection he has served up on stage as of any inherent weaknesses in the work itself.

Christmas Eve (1895) is based on the same Gogol Ukrainian tale that had earlier served Chaikovsky (for a work, *Cherevichki*, that underwent several stages of creation). In it Rimsky, who adapted the libretto himself, mixed together the elements out of which the essential "Imperial-spectacular" Russian opera was made: comedy, fantasy, folklore, folksong, complicated chromatic harmony (for the episodes of magic and the supernatural), grand choral tableaux, and the compendious resources of his peculiar gift for orchestral colour.

It's an efficient mixture, and it offers a large company the chance to provide a spectacular seasonal entertainment that is entirely untroublesome, uncomplicated, and uninvolving. In one of the few severe passages in his *Man and his Music*, Wilfrid Mellers puts his finger on the hole in the heart of a composer "whose technical expertise is exceeded only by his spiritual nullity . . . Rimsky-Korsakov, though the most prolific Russian creator of operas, was not essentially an opera composer at all, for he had no interest in human beings."

Stern judgments: but Wednesday's performance bore them out, all too consistently. What one sensed in operation was a large, finely devised mechanical apparatus where characters, situations, emotions, and above all *tunes* ought to have been. Some of the combinations are mildly intriguing, at times mildly pleasurable (the influence of Wagner's *Ring*, which had hit St Petersburg a few years earlier, comes through in the scene-painting, not in the development or sustainment of dramatic movement). Technical skill is all, and everywhere – perhaps that is why Rimsky has always had so many admirers in the profession, conductors and composers (such as Oliver Knussen in the ENO programme book). One recognises and admires the skill, as it were from a great distance. It was hard, during Wednesday's show, not to recall Janáček's *Mr Brouček*, which the ENO tackled some years ago – a crudely shaped, wildly personal fantasy tale lit from within, and leaping off the stage, because of the richness, unpredictability, and "engagement" of its music.

Christmas Eve does, however, supply the material for a Big Christmas Opera Show, and Mr Pountney and his designer Sue Blane and choreographer Stuart Hopps have laid busy hands on it. The affectionate, delightful tricks of domestic scale that the producer played in last year's unforgettable *Hansel and Gretel* are here far more fully indulged: the sets and costumes combine humour, spectacle, bright storybook colours, and a line of easy send-up that wins easy laughs. There is also much gauzy "magic" (among the most effective examples is the spider tapestry surrounding Patsyuk the medicine man), and, in the scene where the hero Vakula wins the slippers from the Tsarina, a toybox ballet full of "production values."

But the design as a whole sorely lacks the Goncharova touch, that astringent certainty of background, style, and taste which might shore up the flimsy structure. And, as in his massively complicated *Orpheus in the Underworld*, Mr Pountney is unable to resist piling on and repeating the tricks, the routines, the visual one-liners.

Altogether, the ENO *Christmas Eve* could stand as an exacted definition of "culinary" opera: what a curious piece of work to find at today's hard-line, no-holds-barred ENO! Without having encountered this opera in the theatre before I feel sure, nonetheless, that there is a simpler, fresher, less tricksy way of mounting it, and that its musical charms can be more takingly conveyed. Under the experienced baton of Albert Rosen, there was a persistent lack of glitter and brightness in the scoring – and, not only that, of simple rhythmic concord between stage (especially when the ENO Chorus were on it) and pit; the opening night felt all too often like a final dress rehearsal.

The principals were selected by the English-panto manners that can afflict such undertakings (Nigel Douglas as the Devil displays a particularly virulent case). I enjoyed the full mezzo voice, if not always the clear words, of Anne-Marie Owens as the witch Solokha, and admired John Connell's laconic wit and smooth singing as Chub. Cathryn Pope (Oksana) was spirited, attractive to look at, delightful to listen to – the voice grows fuller and seems to take on new colours in Russian opera. And Edmund Barham as Vakula the smith, though a throat indisposition was apologized for in advance, was splendidly lusty, free-ranging (this is that rare bird, an English tenor with a ringing top), good-humouredly muscle-bound. There are good points about the performance; but on Wednesday it added up to an insubstantial three hours.

Max Loppert

Alastair Muir

Anne-Marie Owens and Mark Richardson

Cinderella

COVENT GARDEN

Alastair Muir

Fiona Chadwick

It is the common fate of ballets that, as the years pass, effects are blurred, choreography dulled, mannerism replaces manner. No sadder example exists in the Royal repertory than Ashton's *Cinderella*, now returned for a Christmas outing. Where once we delighted in a gently charming narrative, laughed at the Ugly Sisters, rejoiced in triumph of true love, we are now faced with an insensitive and visually repulsive caricature of a major creation in the history of our national ballet.

The initial fault lies in last year's redesigning of the piece by David Walker. Flummery is rampant in costuming, elaboration is endemic in every outfit, and the setting for the ballroom must surely be accounted as the ugliest in the company repertory, with its unrelenting vista of rigid pillars, filled with prancing, posturing guests in unbecoming outfits. Magic is gone, and it was to the great credit of Fiona Chadwick and Jonathan Cope, the Cinderella and Prince on Wednesday evening, that they could overcome their surroundings to tell us of the true sweetness of the story.

That magic was nowhere else apparent in the other performances. Chief blame must be laid at the errant feet of the Ugly Sisters. I can think of no more humourless impersonation than Derek Rencher's assumption of the Helpmann role. For all the cumulative grotesquerie of Sir Robert's playing during three decades, we laughed, because he was a consummate droll, and because a character existed beneath the flounces and fantastication. Mr Rencher is blatant, and at moments unsavoury. Michael Coleman, who can be the zaniest of comedians, battles to make jokes from beneath the hapless complexities of his costumes. Both performers think that to fall over is to be funny.

Fiona Chadwick, in a debut performance, was warm-hearted in temperament as in dancing. Every step was generously displayed, and the frankness of her interpretation – its emotional and technical honesty – was a constant pleasure. I admired very much her view of the solo in the third act when Cinderella relives the delights of the ball: here the dance was touched with the happiest intoxication of spirit, and was a joy. Jonathan Cope was clear in dancing, elegant in manner: no waif could ask for a better Prince. The Season Fairy variations are losing their brightness of cut: these gems need to be shown off with pride.

If the Royal Ballet feels like giving a Christmas present to its audiences, then let it be a complete re-thinking of this production.

Ashton's ballet deserves performance and setting as sympathetic and imaginative as its choreography. At present it looks a brutish approximation of a lovely work.

Clement Crisp

Musgrave's "The Seasons"

FESTIVAL HALL

The successful career that Thea Musgrave has made in the United States, home to her most recent operas (in Virginia) and also now to the composer herself, was a fine excuse for setting a new work by her in an otherwise all-American programme.

This year – somewhat incredibly, given her youthful looks and vivacious personality – is Musgrave's 60th birthday and the Academy of St Martin-in-the-Fields decided to mark the occasion by commissioning a sizeable new piece for orchestra. The result is *The Seasons*, a half-hour tone poem in four parts, which takes its inspiration not so much from the sights and sounds of nature (in the manner of Vivaldi), as from a series of great works of art.

The idea for the piece was focused by a visit to the Metropolitan Museum of Art in New York. "Autumn" reflects a picture by Piero di Cosimo and never really escapes the feeling that it should be accompanying a strong visual image; but in "Winter" and "Spring," a chillingly effective section, which is surely the best of the work, the musical ideas become stronger and assume the foreground.

Of the three Americans in the same programme, it was perhaps surprising to find the closest to Musgrave in spirit was not Copland (too clear-headed) or Barber (too sentimental) but the complex, enigmatic figure of Charles Ives. The "Spring" section of *The Seasons* has a similar density of texture to his and the superimposing of the French and American National Anthems over the music of "Winter" is Ivesian, if anything is.

Under Neville Marriner, dedicatee of the new work, the Academy rewarded Musgrave with playing of their usual professionalism and an added degree of intensity. A mention should also be made of Elmar Oliveira, soloist in Barber's Violin Concerto, who brought lyricism and virtuosity in equal measure to a most accomplished performance.

Richard Fairman

Juilliard Quartet

WIGMORE HALL

No celebration of Elliott Carter's 80th birthday would have been complete without the Juilliard Quartet. The four string quartets have become established as the core of Carter's achievement, and the Juilliard's part in gaining recognition for the works has been enormous – they introduced the Second and Third – and though other, younger quartets have now taken on this repertory (notably the Composers in the United States and the Arditti in Europe) the Juilliard have preserved all the pieces in their repertory. They give two recitals at the Wigmore Hall this week, and in the first of them on Wednesday gave pride of place to Carter's Fourth, alongside Mozart (the B flat quartet K.589) and Beethoven (the second Rasumovsky).

The Arditti contributed the Fourth Quartet to the South Bank's marathon Carter celebration on Monday. They are one of the joint dedicatees of the work, and it is their account which has previously been heard in London. The Juilliard's is different – probably less accurate, but more passionate and impulsive. Their way with Carter has always been to emphasise the emotional force behind the notes – and one remembers that when other groups used metronomic "click-track" tapes to master the intricacies of the Third, they insisted on doing without such props, preferring to sacrifice the last degree of precision for more vivid characterisation and cohesion.

In the Juilliard's care the Fourth emerges more than ever as a synthesis of the preoccupations of the earlier quartets – the instrumental role playing first explored in the Second superimposed upon the seamless flow of movement types of the Third, while the First contributes looping melodic curves, wide-spaced textures, and articulates the closing pages with its resonant silences. The idea of a return to a neo-classical clarity detected by some in recent Carter scores would be reinforced by the four-movement plan lurking behind the Fourth, yet the lucidity is only relative; it remains prickly music whose detailed import sometimes must be taken on trust. But the Juilliard's relaxed confidence, their expressive insistence upon a holistic view, constitutes a further step towards full comprehension.

Andrew Clements

Wire magazine and Carlsberg jazz awards for 1988

The *Wire* magazine and Carlsberg British jazz Awards for 1988 have been won by Cleveland Watkiss (Best Vocalist), Gang of Three (Best New Band), Human Chain (Best Band) and saxophonist Andy Sheppard (Best Instrumentalist).

Pianist Jason Rebello was named Best Newcomer, which was a New Grove Dictionary of Jazz Award.

Other awards, presented at the Katharine Hamnett shop in Brompton Road, included the London Docklands Development Corporation Award for the Best Composer which went to Mike Westbrook; the LBC Radio Award for the Best Album to Courtney Pine, for *Destiny's Song and the Image of Pursuance* (on the Antilles label); the Carlsberg Award, to Mike Gibbs for his "outstanding contribution to jazz", and the *Wire* editor Award, presented by Richard Cook, to Serious Productions for their promotion of jazz.

Among the personalities making the presentations were pop star Sting, Olympic athlete Linford Christie, comedian Robbie Coltrane, Whitbread Prize (Novel of the Year) winner Salman Rushdie and BBC TV news presenter Moira Stuart.

ARTS GUIDE

December 16-22

OPERA AND BALLET

London

Royal Opera, Covent Garden. The second opera production by Nuria Espert to be given by the Royal Opera is a new Rigoletto, designed by Ezio Frigerio, and conducted by Michael Boder (British début). Brent Ellis, June Anderson, and Neil Shicoff take the leading roles.
English National Opera, Coliseum. The Christmas treat is a new production of a Rimsky-Korsakov rarity, Christmas Eve, produced by David Pountney. Albert Rosen conducts, and the cast includes Cathryn Pope, Edmund Barham, Anne-Marie Owens, John Connell and Nigel Douglas. Last performances of the second of Philip Glass's operas by this company, The Making of the Representative for Planet 8, which leaves a feebly undramatic impression; and many more of The Mikado, in Jonathan Miller's jolly production, which has returned to the house in sparkling condition.
The Royal Ballet, Covent Garden. Dec 16 and 21: Ashton's Cinderella marks the pantomime season (matinee and evening). Sleeping Beauty remains in the repertory and on Dec 10 and Dec 12, Sylvie Guillem from the Paris Opera appears in Apollo and with her partner Laurent Hilaire in the Grand pas Classique. At Sadler's Wells, that theatre's branch of the Royal Ballet presents The Snow Queen on Dec 15, 16 and 17 with a triple bill on Dec 19, 20 and 21.

Paris

Theatre de la Ville. Merce Cunningham, who compares water to the fluidity of dance, dances in four programmes with his ever revolutionary company. (42 74 22 77).
Opera. Offenbach's Orphee aux Enfers conducted by Alain Lombard shows the joyous elegance of the Second Empire in a dazzling production by Jean-Louis Martinoty (47 42 53 71).

Brussels

Theatre Royal de la Monnaie. Norma, the concert version, with Sharon Sweet as Norma, and Martine Dupuy as Adulgisa. Cast also includes Harald Stam, Robert Lloyd, Nino di Stefani and George Gray. Chorus and orchestra of the Monnaie conducted by Sir John Pritchard (Sat.Tues). The Mark Morris dance group, Bejart's successor puts a modern American stamp on Baroque Oratorio in The Gloria of Vivaldi (Fri, Thurs) and L'Allegro, Il Penseroso ed IL Moderato of Handel (Sun, Wed). The chorus and orchestra of the Monnaie performs beautifully under Craig Smith. (218 12 11).
Palais des Beaux-Arts. Les Ballets Russes brings dancers from the Kirov and the Bolshoi to perform scenes from Sleeping Beauty and other works. (Tues) (512 86 78).

Vienna

Staatsoper. Der Rosenkavalier, conducted by Horst Stein. Cast includes Mechthild Gessendorf, Ute Walther, Brigitte Poschner-Klebel. Otello, conducted by Garcia Navarro. Cast includes Gabrielr Benackova-Cap, Wladimir Atlantow, Richard Burke. Manon, conducted by Adam Fischer. Cast includes Edith Gruberova, Francisco Araiza, Pierre Thau, Gottfried Hornik. Rusalka, conducted by Vaclav Neumann. Cast includes Gabriele Lechner, Gabriela Benackova-Cap, Peter Dvorsky. Die Walkuere, conducted by Horst Stein. Cast includes Leonie Rysanek, Hildegard Behrens, Siegfried Jerusalem. (51444 ext 2660)
Volksoper. Tiefland, conducted by Diefried Bernet. Don Giovanni, conducted by Bruno Weil. Der Fremdenfuhrer, conducted by Rudolf Bibl. Mignon, conducted by Rudolf Bibl. Ballet: Arthur Schnitzler und sein Reigen, conducted by Conrad Artmuller. (51444 ext 2662.)

Berlin

Deutsche Oper. Otello has a star cast led by Raina Kabaivanska, Kaja Borris, Vladimir Atlantow and Renato Bruson. The rarely played Die Hugenotten features Angela Denning, Pilar Lorengar, Anrea Andonian, Richard Leech and Victor von Halem. Hansel und Gretel is a Philippe Sanjust production.

Hamburg

Hamburg Opera. La Traviata continues with Julia Varady, brilliant in the title role. Gabriele Schnaut sings Isolde in Tristan und Isolde with William Johns Tristan and Harald Stamm as Konig Marke.

Frankfurt

Opera. Der fliegende Hollander, Jonathan Miller's production returns with Robert Hale in the title role, Luana DeVol as Senta, Manfred Schenk as Daland and William Cochran as Erik. Also Der Barbier von Sevilla and Cosi fan tutte. Fidelio brings Sabine Hass, William Cochran, Hartmut Welker and Franz Mayer together. Artifact, danced to music by Stravinsky is a William Forsythe choreography.

Amsterdam

The National Ballet, Muziektheater, in Peter Wright's version of Giselle (Sat, Première, Sun, matinée, Wed, 2 performances) (255 455).

The Hague

Netherlands Opera, Danstheater. Madama Butterfly directed by Monique Wagemakers. Lucas Vis conducting the Netherlands Philharmonic, with Hiroko Nishida (Cho-Cho-San), Jonathan Welch (Pinkerton), Anne Mason (Suzuki) and Henk Smit (Sharpless). (60 49 30).

Scheveningen

The Scapino Ballet Company, Circus Theatre. The Nutcracker. (Fri) (56 88 00)
Netherlands Opera, Muziektheater. Madama Butterfly directed by Monique Wagemakers. Lucas Vis conducting the Netherlands Philharmonic, with Hiroko Nishida (Cho-Cho-San), Jonathan Welch (Pinkerton), Anne Mason (Suzuki) and Henk Smit (Sharpless). (Fri, Tue). (255 455).

Eindhoven

The National Ballet with a programme of *pas de deux* by modern choreographers (Fri). The Scapino company with the Nutcracker (Tue). A new production from Krisztina de Chatel's dance group (Thur). Stadsschouwburg.

Rome

Teatro dell'Opera. Two ballets to music Bynino Rota: "Gattopardo Souvenir" a re-working of the ball scene from the film version of Giuseppe di Lampedusa's novel, "The Leopard"; and "La Strada" danced by Oriella Dorella in the part created by Giulietta Masina in the Fellini film. (Sat, Sun) (461.17.55).

Milan

Teatro alla Scala. Luca Ronconi's super - realistic production of Rossini's William Tell with photographic backdrops of mountain scenery, sung by Chris Merritt (Arnold), Giorgio Zancanaro, alternating with Antonio Salvadori (Tell), and Lella Cuberli alternating with Cheryl Studer as Mathilde,conducted by the incoparable Riccardo Muti (Sat, Tues) andanother Rossini work, "L'occasione fa il Ladro" (Thurs) in thePesaro Rossini opera festival production by Jean-Pierre Ponnelle conducted by Daniele Gatti. The cast includes Luciana Serra, Claudio Desderi, Gloria Banditelli and William Matteuzzi. (80.91.26)

Florence

Teatro Comunale. Pier-Luigi Samaritani's production of Puccini's Madame Butterfly conducted by Bruno Bartoletti, with Catherine Malfitano, Mario Malagnini (alternating with Richard Leech) and Jonathan Summers. (Fri, Sun and Wed.) 2779236.

New York

Metropolitan Opera House, Lincoln Center. The first seasonal performance of Hansel and Gretel is conducted by Christof Perick; Frederica von Stade plays Hansel and Judith Blegen, Gretel. Le Nozze di Figaro is conducted by Mark Elder in his premiere season, with Roberta Alexander as Rosina, Hei-Kyung Hong as Susanna and Thomas Hampson as Almaviva. Sonja Frisell's production of Aida features Leona Mitchell in the title role, Placido Domingo as Ramades and Sherrill Milnes as Amonasro, conducted by James Levine. Performances of Madama Butterfly continue, conducted by Myung Whun Chung, with Yoko Watanabe as Cio Cio San and Giorgio Lamberti as Pinkerton. Marilyn Horne plays the title role in Carmen with Veriano Luchetti as Don. José in Paul Mills's staging conducted by Placido Domingo. (362 6000)
New York City Ballet, State Theatre, Lincoln Center. The 40th anniversary season features 26 works by George Balanchine, 9 by Jerome Robbins, 5 by Peter Martins, and a month of Balanchine's Nutcracker. In addition, works by Laura Dean, Eliot Feld, William Forsythe, Lar Lubovich, commissioned for this season, will be interspersed in the season, which ends Feb 26. (496 0600)

Chicago

Lyric Opera, Civic Opera House. Susan Dunn plays Aida to Giuseppe Giacomini's Radames in Nicolas Joel's production conducted by Richard Buckley. Maria Ewing continues as Salome in Sir Peter Hall's production, conducted by Leonard Slatkin, with James King as Herod and Franco Farina as Narraboth. (332 2244).

FINANCIAL TIMES

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The problem is not solved

MOST OF the world has long since recognised: that the Palestinian Arabs are one of the main parties to the Arab-Israel conflict; that they wish to be treated as a party in their own right; that the great majority of them see the Palestine Liberation Organisation, for better or worse, as their representative; and that therefore the PLO has somehow to be involved in any settlement of the dispute.

Yet until now the US, the power with the greatest influence in the region, was unwilling or unable even to talk to the PLO. That was a serious obstacle on the path to a settlement, and its removal is welcome. But no one should suppose that the problem is thereby solved, or even that a solution is now likely to be either easy or quick.

The first point to make is that it is the Israelis, not the Americans, who have ultimately to make peace with the Palestinians. Israel is indeed heavily dependent on US support, but the US Administration's willingness to "enter into a substantive dialogue" with the PLO by no means automatically entails willingness or ability to oblige Israel to do likewise. Still less does it entail US support for *PLO* demands or recognition of the "state of Palestine" which the Palestine National Council has proclaimed.

Political conditions

Being ready to talk to someone does not mean that you agree with them. That would be obvious if the US, by imposing political conditions for a dialogue, had not made it appear that even the opening of one implies a convergence of views. It is precisely when views diverge that dialogue is most needed.

So the Palestinians and their friends should not expect too much too quickly. Equally, not too much should be expected of them. Already Mr Morris Abram, chairman of the Conference of Presidents of Major American Jewish Organisations, has suggested the first item in the dialogue should be the repudiation of the Palestine National Covenant, the founding document of the PLO, which pledged it to struggle for the "liberation" of the whole of Palestine.

But, as Mr Bassam Abu-Sherif, a senior adviser to the PLO leader, has pointed out, the covenant which originally emanated from the PNC has been "superseded" by the decisions of that same body endorsing a two-state solution. To obtain those decisions, and to follow them up with the even more explicit statements on which the US insisted, Mr Yassir Arafat took great political and personal risks. To ask him now to reconvene the PNC and put to it a formal repudiation of the covenant would be neither realistic nor constructive.

Acceptable definitions

More seriously, President Reagan has said that the PLO "must demonstrate that its renunciation of terrorism is pervasive and permanent." It is not clear what "pervasive" means in this context, and "terrorism" itself has no generally accepted definition.

There are two problems here. One is that the Israelis, if not the US, will present *any* act of violence by Palestinians, including those in the occupied territories aimed directly against the occupiers, as an act of terrorism: so Mr Arafat may be held to have perjured himself if he does not unilaterally call off the Palestinian uprising. The other is that extremist Palestinian forces outside Mr Arafat's control will almost certainly resort to terrorism with the express purpose of aborting his peace initiative. On past form they can be expected to aim at US targets, Jewish targets outside Israel, and Palestinians personally identified with Mr Arafat and the peace initiative.

Mr Arafat himself could easily be a target for such extremists and it is a sad thought that some Israelis would welcome that. But extremists on both sides should be aware that while a man can be killed an idea cannot. The idea that peace in the Middle East must be based on coexistence and mutual recognition between Palestinians and Israelis has now been proclaimed solemnly, by the recognised leader of Palestinian nationalism, in the central forum of world politics. It is unlikely to go away.

Competition, but not yet

IN THE MATTER of telecommunications policy, the British Government's approach owes much to Saint Augustine. The latest confirmation is a report on fibre optics by a Whitehall committee, which has many fine things to say about competition – but then finds all sorts of reasons for not putting them into action just yet.

The report rightly rejects demands by telecommunications manufacturers for a state-funded optical fibre grid linking every home in the country. While recognising that optical fibres have much to commend them, the authors emphasise that many rival technologies exist to deliver entertainment and communications services. Uncertainties about the demand for such services and the future evolution of communications technologies could make a rigid national commitment to one type of delivery system a Concorde-style solution, which would stifle alternatives. The choice should not be imposed to suit suppliers but decided freely by users, as the report proposes.

It sensibly favours a light regulatory system designed to encourage diversity and keep entry barriers low. However, at this point it comes badly unstuck. Its preferred solution is a system of regional franchises for the one-way transmission of information and entertainment. Yet it would exclude British Telecom and Mercury, at least initially, while limiting the right of cable television franchises to offer two-way services.

These local monopolies and accompanying restrictions are justified on the grounds that they will foster the emergence of entrepreneurs. Presumably, Whitehall would judge when the infant industries were ready to face all comers. Such nannying tactics are advanced in the name of promoting competition: in the bad old days of government intervention in industry, they were called "picking winners."

There are good reasons for concern that BT, if allowed a completely free hand, could drive competition out of the market. However, it seems extreme to bar it and Mercury altogether. Indeed, the current ban on the two companies' right to send entertainment through their telephone networks flatly contradicts the report's arguments against basing regulation on increasingly obsolete technological distinctions. There is more to be said for the Peacock Committee's suggestion that BT and other telecommunications networks should be allowed to play a common carrier role for TV and other services.

It should be possible to check anti-competitive abuses by BT by, for example, requiring it to set up hands-off subsidiaries, preferably in partnership with other companies. The Government has already sanctioned such arrangements in mobile radio and cable television. However, the option is not even mentioned in the report – perhaps because Whitehall now recognises that, in practice, such arrangements have often proved ineffectual.

The explanation is simple. It is that the Government has deliberately allowed BT to retain too much of its old monopoly power. One reason is that ministers wanted an easy privatisation in 1984. Another is their decision to restrict competition to a duopoly in an ill-conceived attempt to turn BT into an information technology "flagship" and groom Mercury as a second force.

To try to restrain BT and Mercury by cordoning off markets which are rapidly converging under the impact of new technologies will merely create distortions. The solution is to subject them to much more vigorous competition by abolishing the duopoly. Expressions of concern by a government committee about the duopoly's market power only strengthen the argument.

The Government is due to review the duopoly in 1990. Before then, it should get its priorities straight and resolve to turn flowery rhetoric about competition into practical action. Otherwise, the UK telecommunications market will remain artificially constrained and the internal contradictions and contortions of regulatory policy will multiply further.

Andrew Gowers and Victor Mallet on the obstacles to peace still to be overcome in the Middle East

A long road ahead of rhetoric and compromise

In America's tortuous dealings with the Middle East, two and a half weeks can seem an awfully long time.

Three Saturdays ago, Mr George Shultz, the US Secretary of State, outraged the Arab world and disturbed Washington's allies by refusing Mr Yassir Arafat, leader of the Palestine Liberation Organisation, a visa for his proposed visit to the United Nations General Assembly in New York on the grounds that he was an "accessory to terrorism."

Yesterday, even the Reagan Administration's fiercest critics were showering it with praise following its decision on Wednesday to authorise the first official US contacts with the PLO. Many of the more habitually optimistic commentators hailed the move as a historic shift of US policy which might pave the way for a breakthrough in efforts to resolve the Arab-Israel conflict.

If so, President Reagan's and Mr Shultz's explanations of the decision were remarkably low-key. At his Geneva news conference on Wednesday evening, Mr Arafat had earned the organisation's entry into a "substantive dialogue" with the Administration, they said, by meeting three key US conditions: explicitly recognising Israel's right to exist; accepting UN Security Council resolutions 242 and 338; and unequivocally renouncing terrorism.

Unspoken, but certainly implied, was the suggestion that the road towards negotiations remains littered with obstacles – not least the unyielding opposition of Israeli leaders to any dealings with the PLO and the anxiety that any eventual talks could swiftly run into the chasm between the Palestinians' minimum demands and the Israelis' maximum concessions.

Nevertheless, Mr Reagan's move is a tremendously important parting gift to a region which has provided his most conspicuous foreign policy failure. It means that when President-elect George Bush takes office in January, he may have a better opportunity for advancing the peace process than has existed at any time since the failed Geneva conference of 1977.

A US President in the first year of his first term is in a uniquely strong position to try new initiatives in the Middle East, relatively free of the imperatives of domestic politics. Thanks to Mr Shultz's unsuccessful mediation efforts in the region earlier this year, Mr Bush will not have to undergo the painful learning process that tied up many of his predecessors until it was too late. The outgoing Administration's decision to deal directly with the PLO has also absolved Mr Bush of the need to jump what is, in the US domestic context, one of the most sensitive political hurdles.

Moreover, it is not as if the US move occurred in a vacuum. It coincides with:

● Unprecedented support for Mr Arafat's more moderate line in the Palestinian ranks, consolidated by last month's Palestine National Council meeting in Algiers. Crucially, the still substantial number of dissenters within the PLO agreed to abide by the majority decision to make concessions, rather than walking out as on previous occasions.

● A growing consensus of Arab states behind the PLO moves. Egypt – now well and truly out of the Arab quarantine to which it was consigned after its 1979 peace treaty with Israel – has played a key role in helping Mr Arafat to articulate his organisation's new position and, more recently, in persuading the US to take it seriously. Iraq and Jordan are also on board, and there are even signs that rejectionist Syria might be induced at least into tacit acquiescence.

● Most important, the climate of détente, which has led to unprecedented co-operation between the superpowers this year in resolving other regional conflicts.

All these developments have certainly combined to bring about a gradual change in US perceptions of the Middle East conflict. Throughout the 1970s and 1980s, the main danger for Israel and for regional stability was seen in Washington as that of renewed war between states. It was this fear which prompted such active US involvement in mediation between Israel and Egypt leading to President Jimmy Carter's sponsorship of the 1978 Camp David accords.

In all previous efforts, the Palestinians themselves were allocated secondary importance. The PLO, regarded by the Arab world as the Palestinians' sole legitimate representative, was barred from direct involvement in any US-sponsored peace process by Henry Kissinger's 1975 promise to Israel not to deal with the organisation until it met America's conditions.

The route to negotiations remains littered with obstacles – not least the opposition of Israel to dealings with the PLO

Even this year, Mr Shultz's abortive shuttle diplomacy focused on the old idea of territorial compromise with Jordan, and the search for "moderate" alternatives to the PLO. The PLO, naturally enough, would not allow such alternatives to emerge. Washington's mediation has for years foundered on this failure to find what it would regard as "acceptable" and authentic Palestinian interlocutors.

The seeds for this week's policy shift have undoubtedly been sown by the year-old *intifada* in the West Bank and Gaza Strip, which has presented the conflict in an entirely new light – as something close to an internal threat to Israel. The uprising also finally buried the "Jordanian option" when King Hussein decided on July 31 to disengage from the West Bank.

From that point on, it was clear to many observers that US Middle East policy was in a cul de sac. By agreeing to talk publicly rather than in secret with the PLO, Mr Reagan has gone some way to setting it on a new and more promising track.

But as the Soviet Union was pointing out yesterday, embarking on a dialogue is quite different from finding common ground or from launching meaningful negotiations within the framework of an international peace conference. The hurdles still to be overcome are nothing short of formidable. For one thing, the US and the PLO have quite different agendas, with Mr Shultz insisting that item one will be terrorism – however that is defined – and the Palestinians focusing on their central demand for self-determination.

More importantly, Mr Yitzhak Shamir, Israel's caretaker Prime Minister, is adamantly opposed to an international conference. The idea of convening one with Israeli participation assumes a degree of pressure from Washington on its client which US Administrations since the 1960s have been most unwilling to exert.

Even assuming that a conference can be convened, it is bound to run swiftly into controversy about the shape and status of the Palestinian homeland sought by Mr Arafat in the West Bank and Gaza. And even if the Israelis can be persuaded to implement the principle of exchanging territory for peace – the country remains split down the middle on this point – the question remains as to how much of the land they seized in 1967 they will be prepared to give away.

UN Security Council Resolution 242, adopted in the aftermath of the war, is deliberately vague. The English language version calls on Israel to withdraw "from territories occupied in the recent conflict," and the omission of the definite article allows Israel to argue that it is not obliged to pull out from all the territory it captured.

But Mr Arafat has already exposed himself to the wrath of Palestinian radicals by abandoning most of historic Palestine to the Jews and the state of Israel. He is most unlikely to be able to sell to his 5m scattered people the idea of a mini-Palestine which does not encompass all the occupied territories. The PLO leader's powers of diplomacy will be tested to the utmost as he tries to hold the fractious organisation together in the arduous negotiations which lie ahead.

For many Israelis the idea of talking to Mr Arafat is unthinkable. Portrayed in Israel as a devious terrorist committed ultimately to the destruction of the Jewish state, he has yet to prove that he is a statesman. In a telling aside at his news conference in Geneva, he claimed – with characteristic hyperbole and lack of sympathy for Jewish history – that thousands of Palestinians arrested in the current uprising in the occupied territories endured concentration camps worse than those inflicted by the Nazis on European Jews.

In the event of negotiations, Israel is likely to insist on cast-iron guarantees of its security, including the demilitarisation of any Palestinian state.

Negotiators will find it particularly difficult to reverse the creeping annexation of the territories carried out by successive Israeli governments and Jewish settlers in the last 20 years. Researchers say the Israelis have already bought or seized, under a variety of pretexts, more than half the area of the West Bank.

Nearly 70,000 settlers have moved into the territories, and a similar number of Jews are living in and around what used to be the Arab sector of Jerusalem. They will be very hard to move.

Jerusalem, a holy city for the three great monotheistic religions – Judaism, Christianity and Islam – is the most emotive issue of all. Arab east Jerusalem was formally annexed by Israel after the 1967 war and Israelis regard Jerusalem as their capital. But Mr Arafat, with the backing of the Arab world, insists that the eastern half, at least, will be the capital of Palestine.

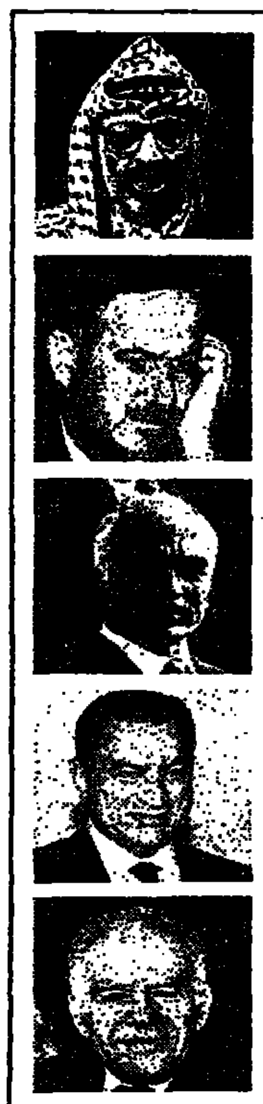
Then there is the question of Syria's attitude and the future of the strategic Golan Heights captured by Israel and also annexed. Syria is adamant that it will not give its assent to a peace settlement unless the Golan is returned.

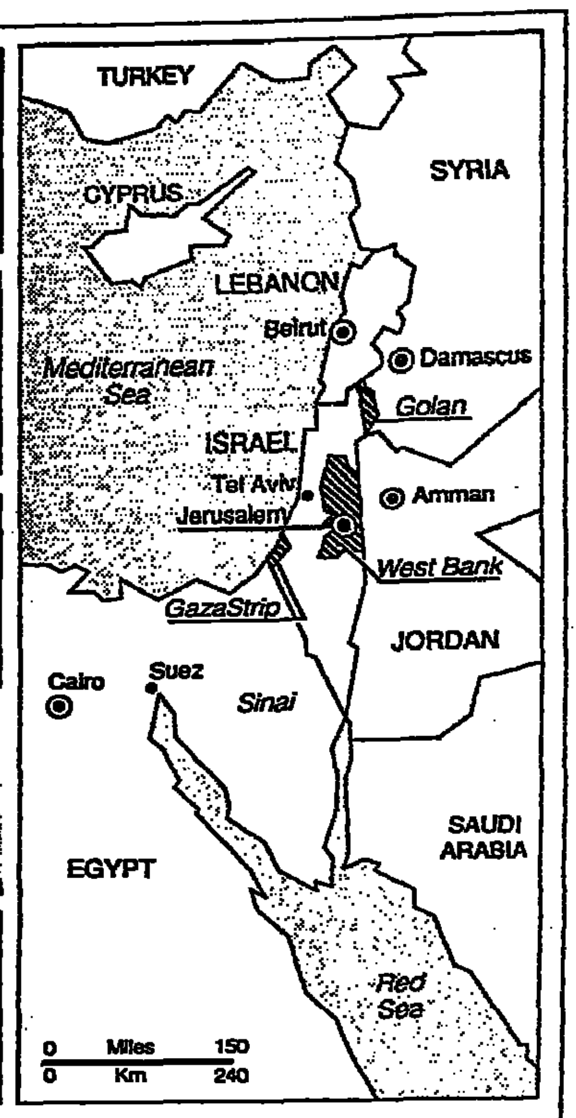
In the early stages of the US talks with the PLO, Israeli attention will probably focus on a much more immediate issue – the *intifada*. Israel may call the violence PLO terrorism, but the PLO regards it as legitimate resistance to occupation and will not call on the stone-throwers and petrol-bombers to stop until Israel makes a gesture towards Palestinian rights.

In the longer term, the degree of sovereignty to be enjoyed by any Palestinian homeland is itself a bone of contention. November's PNC meeting in Algiers did much more than agree to the concessions which paved the way to this week's US announcement. It also triumphantly declared a symbolic, independent Palestinian state, without borders or territory or government. This "Palestine" has been recognised by more than 70 countries, most of them in the Third World, but it has been dismissed as fiction by Israel and the US.

At least there is broad agreement that any future Palestine – which will be small, divided and economically dependent on its neighbours, even if a corridor is established linking the West Bank to Gaza – would form a confederation with the Kingdom of Jordan. But the world will have to hear a great deal more rhetoric, and all sides in the conflict will have to make many more agonising compromises, before Palestine can become a reality.

The current international climate may be favourable, but the Middle East conflict has long defied outside attempts to solve it.





The leaders who must be accommodated in any Middle East peace settlement (from top): Yassir Arafat, leader of the Palestine Liberation Organisation; President Hafez al-Assad of Syria; King Hussein of Jordan; President Hosni Mubarak of Egypt and Yitzhak Shamir, Prime Minister of Israel.

OBSERVER

Quiet man from LA

■ Norman Lee is the unofficial British ambassador to southern California. Indeed some people say that over the years he and his wife, Sadie, have done more than anyone else for Anglo-Californian relations. He is also an enormous philanthropist. "I've enjoyed the fun of giving money to things for a long time," he says.

Yesterday his charity was extended to Britain. The Princess of Wales opened the Norman and Sadie Lee Research Centre at the National Institute for Medical Research in London's Mill Hill. The aim is no less than to cure paraplegia, the previously irremediable condition caused by damage to the spinal cord.

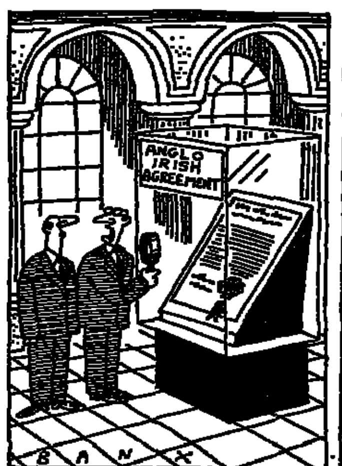
Lee does not talk about money in specific numbers, though he obviously has a lot of it. Nor does his name appear in the conventional reference books, yet his history is more remarkable than most of those that do. He was wounded in the Second World War and went to live in California in 1952, largely for health reasons. He was an engineer who specialised in mini-refrigerators. The other reason that took him abroad, he says, was that it was hard to do business in a socialist Britain.

In the US he built up a profitable company and also started producing small refrigerators in Japan long before the Japanese hit the American market in force. By the late 1960s he was expanding into real estate, and in 1973 he sold his business, investing the proceeds in Californian property. That was when the charity began to take off in a big way.

Lee founded City of Hope, the British paediatric research centre in Los Angeles. By chance, he says, the Queen heard about it, happened to be coming to the neighbourhood and agreed to open it. The original idea was that it would be funded by the 350,000 Brits living in southern California. Then Lee realised that most of them had difficulties making a living, so he went on supporting it himself. The night bell plays Land of Hope and Glory.

There is also work in the arts. Without Lee the Royal Opera would never have visited California and possibly not the Royal Shakespeare Company either. There is now a Lee College, specialising in the liberal arts, outside Los Angeles. "I guide them financially," says Lee.

He has never taken American citizenship. Neither has Sadie who was born in Leeds, as was Geoffrey Raisman, the neurobiologist who will direct the new centre at Mill Hill. If the research, which is also backed by the Medical Research Council, achieves all it might, Lee believes that there could be a cure for Alzheimer's and Parkinson's diseases in his lifetime.



"I think you're right – it *is* fraying at the edges."

US diplomacy

■ The British Foreign Office does its best to deny it, but the Americans have some rather good diplomats. Few more so that Robert H. Pelletreau Jr, the US Ambassador to Tunisia.

Pelletreau has been assigned the task of opening talks with the Palestine Liberation Organisation. He was himself kidnapped in Amman during the Black September of 1970 by members of the radical Popular Front for the Liberation of Palestine, whose leader, George Habash, is no great friend of the PLO leader, Yassir Arafat.

Taken with other hostages to a press conference in a downtown hotel, Pelletreau took advantage of a momentary lapse in his captor's attention to edge in among the journalists and walk out of the hotel to the US embassy.

A fluent Arab and French speaker, he has served in all three North African countries, as well as Jordan, Syria and Yemen. For two years before his appointment to Tunis, 15 months ago, he was Deputy Assistant Secretary of Defence for Middle East and South East Asia Affairs.

Other accomplished US diplomats dealing with North Africa will no doubt be involved in the talks. The Ambassador to Algeria, Christopher Ross, represents the US in a country which has played an important role in bringing the Palestinian factions together. Mary Ann Casey, who heads the North Africa section of the State Department, knows Tunisia well.

The Tunisians also emerge with credit. It was the former President of Tunisia, Habib Bourguiba, who, in a speech in Amman in September 1965, said that direct talks between Israelis and Palestinians and Arab recognition of the state of Israel were essential prerequisites for a dialogue. He was pelted with eggs for his trouble and serious efforts to topple him were made by the late President Nasser of Egypt.

As for Pelletreau, he could well become a roving ambassador in the Middle East in the Bush administration.

All Carrington

■ Lord Carrington is taking over the United States as well, or at least the American wing of Christie's. He has made such a success of his chairmanship of Christie's International in London since his appointment in the summer that he is also succeeding the retiring Guy Hannen as chairman in New York.

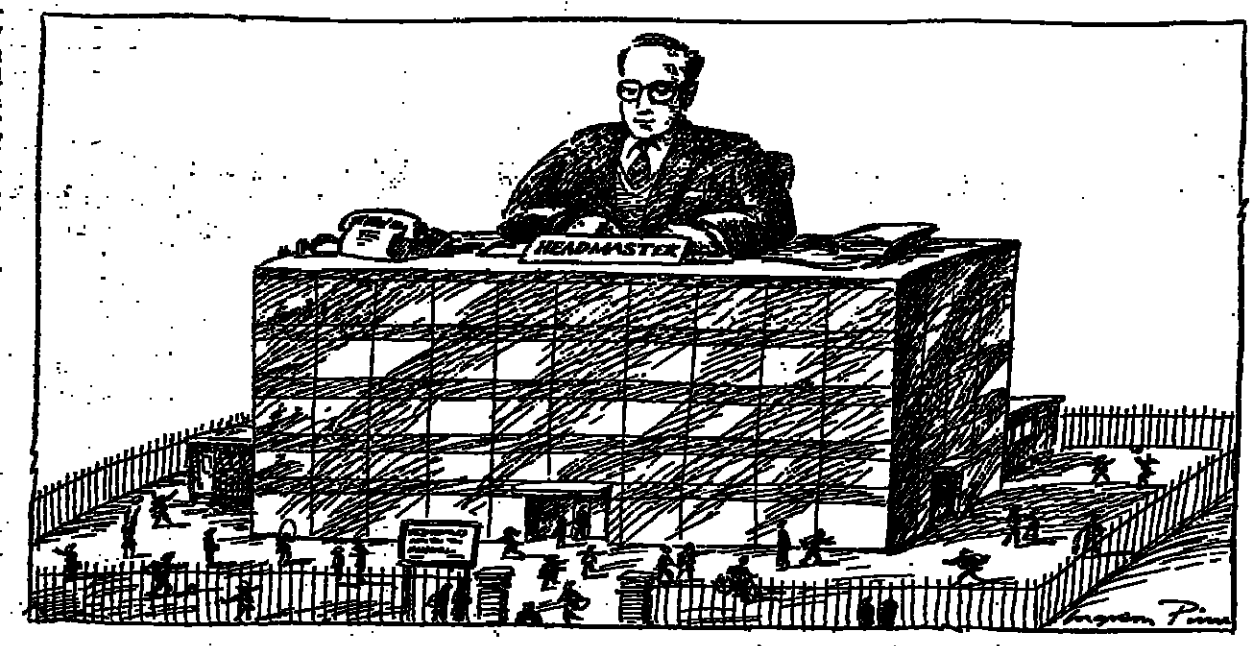
Originally Christie's was looking for an American statesman in the Carrington mould, something on the lines of an intellectual George Shultz, who would be friend of the rich, the famous and the art-owning, and could push business Christie's way. But Carrington seems to fit the bill globally and these days Christie's is keen to emphasise its Englishness as against the American domination of its rival, Sotheby's.

Also joining the board is Daniel P Davison, chairman of the US Trust Co. Not a big name in the UK, in New York he is prominent in both business and artistic circles and could be the designated successor when Carrington, now 68, decides that he has done his bit.

Preventive care

■ The National Federation of Foot Trimmers has reached an agreement to standardise its activities. In case you do not know what the NFFT is, it is the body that looks after cattle hooves. Less than half the 2.5m dairy cattle in the UK receive professional hoof attention. So the group is getting its act together before Edwina Currie interferes.

POLITICS TODAY: Joe Rogaly



Doing better for the children

Britain and the US have the worst pair of publicly financed schools systems in the developed world. Both countries are now trying to do something about it. In both there is a strong belief that good management is essential. Put in a good school head. Let him or her report to a locally elected board of governors, with parents playing a strong part. Let the school have a mission. Give the head control over the budget. Let her/him hire and fire the teachers. Stand.

What is curious about that set of statements is that many in the Anglo-American education establishments would regard it as right wing. In the US it is the New Right in particular (although by no means exclusively) which has led the reaction against the destruction of whole generations of young minds by what used to be called progressive education. Much has been achieved in individual states over the past five years. In the UK it was the Black Paper movement that started the shake-up which led to the Government's Education Reform Act, the revolutionary changes of which are now being put into effect.

But never mind the politics. Are the statements true? International comparisons of scores in mathematics and science show Britain and the US at or near the bottom of most league tables. The top 5 per cent of American school children do about as well in these two subjects as their middle-level Japanese counterparts. It is, of course, the children of the poor and the disadvantaged who get the worst deal.

In Britain a horrifying example has come to light. Her Majesty's Inspectors of Education (who are regarded by educational Thatcherites as progressively inclined to a woman) have just reported on Highbury Quadrant primary school in the London borough of Islington. It is a school for the worst off. Two-thirds of the youngsters qualify for free school meals and most of them live in cheap rented accommodation. About a fifth are black, and another two-fifths are from Bengali, Turkish or other ethnic minorities. All the children have been badly let down. The roof leaks. The toilets smell. In some classes mathematics and science are neglected. Children are given low-level, time-filling tasks. The marking of their work is "often cursory and sometimes non-existent."

What went wrong? The school was not properly managed and the inner London Education Authority failed to do anything about it. Mr David Hart, General Secretary of the National Association of Head Teachers, says in a letter to The Times this week that in more than one such school "the activities of the Inner London Teachers' Association, and in particular its hard-left element . . . were not curbed by Ilea until very late in the day." Ilea is about to be wound up, unmourned. Its successors, the inner London borough councils, have much to learn from Highbury Quadrant.

Hackney, just across the border from Islington, is showing early promise. Its education committee commissioned a report from a consultancy called Focus. Most of those consulted were from the black and ethnic minority majority. What they want is "an environment of achievement" in their schools. Discipline and attendance at school are also foremost concerns. They want a "partnership" with the council to ensure that this is created. They need to become school governors. They see possible merit in the Government's national curriculum, with its emphasis on essential skills and testing.

The report is full of recommendations about anti-racism. The encouraging point is that *achievement* is clearly seen as the best anti-discrimination medicine there is. The "chair" of the borough education committee is a pragmatic-sounding young National Union of Teachers researcher called Michael Barber. He sounds a long way from the soppy thinking that has led too many teachers to expect too little of inner-city children.

Mr Barber should study a recently published pamphlet* which, although from the (New Right) Manhattan Institute for Policy Research, need not be regarded as party political. One of its contributors is Mr Seymour Fliegel, formerly Deputy Superintendent of Community School District Four in East Harlem. Mr Fliegel, who is a believer in public education, tells how his old district, which once scored worst in New York in reading and mathematics, rose in 10 years to 16th or 17th in the city.

They made the schools smaller and marketed them — as sports schools, say, or acting schools. They allowed freedom of choice. If a school could not attract pupils, it was closed. This was not quite autonomy. District Four chose the teachers; it remains "very, very difficult to fire a teacher." New York's version of Ilea, the Board of Education, was simply ignored. "Wherever you have 6,000 bureaucrats

Scores in mathematics and science show Britain and the US at or near the bottom of most league tables

you've got freedom that you can't imagine," says Mr Fliegel, "but only if you take the opportunity." As to the unions, "teachers and administrators alike love to be able to say the union won't let us do that. You can do a lot of things as long as you don't spend your time looking for reasons you can't do them."

What *was* done was to set a clear goal for the teaching team to follow. "In District Four we run the gamut in the vision department," Mr Fliegel says. "We have some very progressive open education schools and we have one that's almost a military academy . . . They work because in both institutions everyone knows where they are trying to get to." One result, he claims, is that some Westsiders are now going up to East Harlem to school. If their parents invested the money they would have spent on private schools the kids would end up not only smart, "but they'd be rich too."

Another contributor, Mr John Chubb of the Brookings Institution, reports the result of a study of 500 randomly selected US high schools, in which 12,000 pupils were examined at enrolment and graduation. Principals, and 12,000 teachers, took part. After natural aptitude, the "second most important determinant of how well students do is the school they attend," he concludes. What is important was a clear goal, led by principals whom the teachers said "had a vision, knew where they wanted the school to go, and knew how to take the school in that direction." The bottom line, for Mr Chubb, is that autonomy, based on accountability to "parents and students rather than to politicians and administrators" will produce the best-organised, best-led schools.

Britain may be stumbling towards Mr Chubb's ideal — not because of the deep philosophical wisdom of the Government, but rather as a result of three pieces of political theatre. One was a Parliamentary double act by Mr Norman Tebbitt and Mr Michael Heseltine which persuaded a not-too-reluctant Government to bring forward the abolition of the Ilea. It is not only Hackney that is now relishing the chance to do better for the children of London. The second piece of theatre was an ad lib. The Government is committed to the creation of 20 City Technology Colleges in order to give substance to a fancy the Secretary of State for Education, Mr Kenneth Baker, made up to spice a speech.

The CTCs will have autonomy, and a vision, plus the direct involvement in their affairs of local businessmen. (For it is businesses that are being called upon to pay; the Treasury only finances ad libs when the Chancellor of the Exchequer makes them, as he did recently about more money for older pensioners.) So far only one CTC, in Solihull, is open, but there should be two or three more by next autumn — and, if Mr Baker's face is to be saved, at least 15 on the stocks by the time of the next election. These "beacon schools," as the Department of Education has come to describe them, may do some good for some inner-city children. They will probably do little harm, unless you regard them as Centres for Tory Culture.

The third act of theatrical policy-making was the series of ad libs that passed between Mr Baker and the Prime Minister, Mrs Margaret Thatcher, during the June 1987 election campaign. Both were talking about the proposal to allow state schools to opt out of local authority control. Mr Baker intimated that only a handful of schools would choose to do so; Mrs Thatcher thought very many would. The subsequent legislation has been framed to accommodate Mrs Thatcher's forecast.

The outcome looks like a draw in the Prime Minister's favour. No primary schools have yet voted to opt out; most are too small to be viable. The expectation is that by next June some 50 of the 4,000 or so secondary schools in England and Wales will have applied for Mr Baker's permission to turn autonomous. This is the first wave, mostly schools that fear closure or amalgamation or a very unfriendly local council. The Education Department is working on the hypothesis that by, say, 1991, between 400 and 800 secondary schools will have opted out.

That would still leave most primary schools and 80 per cent of secondary schools in local authority control. But all of these, save the smallest primary schools, will anyway become "locally managed," with stronger boards of governors and devolved budgets. With that, plus the national curriculum and testing, the Government will have revolutionised British state schools. The only area so far left untouched is the form of instruction in the teacher training colleges themselves. The teachers at Highbury Quadrant came from such colleges. There is much subterranean muttering and mumbling about how these institutions will be next on the list. Only among the New Right, of course.

**Making Schools Better. Manhattan Institute, 42 E 71st St, New York NY 10021, USA.*

LOMBARD

Pepping up Postman Pat

By Michael Prowse

SEVENTY or so years ago, Bertrand Russell could write to Lady Ottoline Morrell in the morning and expect a reply the same evening. Today the response to an ardent love letter would be a pile of junk mail delivered some time the following week, if at all. (If a late 20th century Bertie wanted to conduct orderly literary courtships he would be obliged to instal "fax" machines at the homes of his lovers.)

The long-term decline of the Post Office partly reflects the changing character of the communications market. If the telephone had never been invented and if electronic communication were still restricted to Dan Dare and Flash Gordon, the Royal Mail would be reaping larger economies of scale and perhaps offering a better service.

But market evolution is not the whole story. The Post Office is also beset by chronically poor industrial relations. Stoppages and disputes at the local level are frequent. The management is unable to introduce sensible pay scales or working practices. The solution often touted is competition in the Post Office's main market: letter delivery.

Caution, however, appears to be Lord Young's watchword. Unlike many of his Cabinet colleagues, the UK Trade Secretary seems reluctant to embark on reform for reform's sake.

During the recent postal strike he remained mute in the face of vociferous calls for deregulation from the private courier companies. The caution is understandable — even if the political sensitivities attached to the *Royal* Mail are discounted. The nub of the problem is that his department has not the faintest idea how to go about deregulating the Post Office in a way guaranteed to increase the overall welfare of consumers. Mail delivery is a natural monopoly: if the market is spread among several competitors, economies of scale are likely to be lost and overall costs increased.

A new study* by Mr Saul Estrin and Mr David de Meza of the London School of Economics (and financed by DHL, the courier company) tries to provide a little guidance. After pages of algebra, it comes down in favour of "controlled deregulation" — on the grounds that entry is more likely to raise consumers' welfare than to reduce it. The heart of the argument is that entry is likely to be profitable only where new competitors innovate, expand the market and offer services which are not close substitutes for those already provided by the Post Office. Nobody, for example, would be likely to succeed in establishing a duplicate national postal service.

But the authors do concede that welfare could be lost as a result of "cream-skimming" — profitable attacks on particular segments of the Post Office's market (for example, business deliveries in city centres). The Royal Mail would be tempted to respond to such competition by abandoning its uniform tariff — in other words, charging more for deliveries to high-cost rural areas. But such a reaction would not be in the interests of consumers because it would raise administrative costs and reduce the overall efficiency of the service.

What to do? The LSE answer is to allow such competition provided the new entrants pay a levy (say 5p a letter) to the Post Office to compensate for cream-skimming losses and reduced economies of scale. Thus, if the Post Office loses business, it would be compensated financially.

This may appear a neat theoretical solution. The competition would provide a spur to Post Office managers and workers, but it would not harm them or the public. The trouble is that it does not look very attractive politically.

Could Lord Young really invite free competition in letter delivery, but then impose a stiff tax on the entrants to compensate the nation for the nasty side-effects of their endeavours? Hardly. The net effect of the LSE report is likely to be reduced ministerial concern about the adverse effects of competition, coupled with greater willingness to sanction entry without strings. Postman Pat will have to run harder, but only to stand still in terms of value for money.

**Should the Post Office's Statutory Monopoly be Lifted? (LSE, Houghton St, London WC2)*

LETTERS

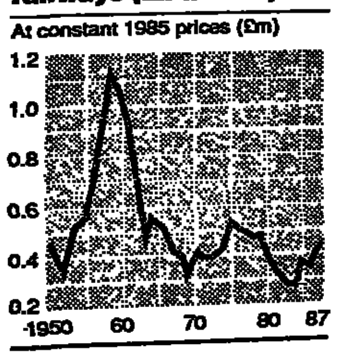
Investment in the railways

From Mr John Wells.

Sir, The Secretary for State for Transport's claim that investment in the railways is at an "all-time high" is simply not correct — except in current price terms, which is not of any interest.

Gross domestic fixed capital formation in the railways (all assets)

At constant 1985 prices (£m)



The graph contains a plot of Gross Domestic Fixed Capital Formation in the railways (all fixed assets) at 1985 constant £m for the period 1950-1987 (data for 1965-1987 at current £m, deflated by the implicit GDFCF deflator for Transport, both series from Central Statistical Office, *Blue Book*, linked to data for 1950-1964, to be found in BR, *Corporate Plan, 1983-1988*, Figure 5).

The graph shows that, following the period 1981-1984, in which, for four consecutive years, the lowest-ever levels of investment since the Second World War were recorded, there has indeed been a strong recovery in railway investment in recent years. Nevertheless, railway investment in 1987 (the latest year for which data are available) was considerably below that for the period 1975-1979 as well as for 1965-1966.

Indeed, if we go even further back in time, railway investment in the early 1960s was running at almost twice the level for 1987. Thus, even granted that there has been a further increase during the past year, railway investment cannot possibly be running at an "all-time high".

It is so easy to abuse statistics that Ministers, who enjoy such privileged access to the mass media, have a special responsibility for ensuring that they get their facts right.

John Wells,
Faculty of Economics,
University of Cambridge

Pour half back . . .

From the Rev C.G. Stables.

Sir, Even the ministers responsible have admitted that water authorities need a lot of capital expenditure in the near future — not just for sewage works, but to replace worn-out drains and service pipes.

Is there any reason why at least half the sum raised by this sale should not immediately be poured back into renewal work? Otherwise, the Government will be seen to be selling a utility with severely decayed assets and walking away with the proceeds.

To say that the money goes straight into the Treasury is no answer at all. If a private firm tried to do this there would be howls of indignation.

Courtley G. Stables,
Abotslare, Pound Green,
Buxted, East Sussex.

'Brand' names beyond price

From Mr Osman Streater.

Sir, Sitting outside the City of London's Square Mile, and wearing a marketing hat rather than an accountancy one, it is strange to read the correspondence in the Financial Times about the value to be placed on brand names and names of companies.

Does the City not realise how profligate it has been in throwing away many of its own priceless names?

It deserves to be haunted by the ghosts of, *inter alia*, L. Messel, Simon & Coates, Laurie Millbank and (this week especially) Pember & Boyle. Why should the energetic Kemp-Gee die when the aristocratic Scrimgeour lives? Was da Costa not worth the small cost of preservation? Is nobody grieving the loss of Grant? Is Wedd really the only part of the great jobbing houses' names worth keeping on as the "W" in BZW, when (even of that house) many would say the greater initial was the "D" of Durlacher? Had Ackroyd & Smithers no value as a name? Or Bisgood Bishop? Or (again, especially this week) Pinchin Denny?

Nor has it stopped. It was interesting to see a Swiss company buy Rowntree because it appreciated the immense value of its brand names. But who would bet on how long it will be before another Swiss company throws away the splendid name of Phillips & Drew — and replaces it with the almost meaningless initials UBS?

Osman Streater,
Young Hemsley,
67-68 Long Acre, WC2

Goodwill should be retained

From Mr Fabian Finlay.

Sir, I hope that the decision by TI Group to retain goodwill in its balance sheet will be favoured by the accounting profession over the decision by Ranks Hovis McDougall (RHM) to revalue brands.

The balance sheet should not be used by management as an attempt to place a value on its company, but as a record of the assets and liabilities of the company. As such, in conjunction with other financial information the balance sheet enables investors, creditors and others to make their own judgments on the value or credit-worthiness of a group of companies.

By the inclusion and retention of goodwill, additional information is made available to such users of accounts — which information is currently lost because of the normal tendency to write off goodwill against reserves.

Far from being encouraged to write off goodwill, managements should be required to retain it in the balance sheet. Users can identify this intangible and use it as they will.

Inadequate group managements may learn to regret the expansion of their balance sheet in this way, because while the return on capital on underlying assets may indicate that a group contains a *lot* of well run companies, the return on capital on the group total may indicate that, in the hands of the parent board, those companies are not in very good hands.

Fabian Finlay,
9 North Audley Street, W1

Brand valuation in US accounting practice

From Mr William J. Kornitzer.

Sir, We have been following with great interest the uproar which started when Ranks Hovis McDougall (RHM) placed the "values" of its internally developed brands on its balance sheet. As valuation consultants, we have been valuing brands, as well as other intangible assets, for over 25 years.

It is common practice for firms in the US to place acquired intangible assets on their balance sheets. The values of these intangible assets are fair market values, allowing companies to give shareholders a better understanding of what was actually acquired, and for how much.

It is somewhat surprising that UK companies have been first to put internally developed brands on their balance sheets. Maybe this has been done to strengthen reserves and repair gearing ratios, but it also helps shareholders to have a better understanding of a company's "true worth".

This practice of placing internally developed intangible assets on the balance sheet is not currently allowed in the US. What is more surprising than the placing of these brands on the balance sheet is the method used in RHM's valuation. There have been accepted methodologies devised for the valuation of brand names, and by RHM's own admission the value derived is not a "fair market value".

We applaud firms in the UK for taking the initiative and allowing their balance sheets to give a more precise picture of reality, but we should like to see different methodologies applied to these valuations.

William J. Kornitzer,
American Appraisal (UK),
49 Whitehall, SW1

FINANCIAL TIMES
Friday December 16 1988

Soviet military chief first of new generation

By Quentin Peel in Moscow

THE SOVIET Union yesterday confirmed a switch to a new generation of military commanders, with the appointment of 49-year-old Colonel-General Mikhail Moiseyev as the new Chief of Staff of the Soviet armed forces.

The move comes only a short while after Mr Mikhail Gorbachev's announcement of unilateral cut of 10 per cent – or 500,000 men – in Soviet conventional forces, along with 10,000 tanks and substantial numbers of artillery systems and aircraft.

The new Chief of Staff takes over from 65-year-old Marshal Sergei Akhromeyev, whose sudden resignation just before Mr Gorbachev's speech to the United Nations prompted speculation that there had been a sharp disagreement over the decision.

Colonel-General Moiseyev, who takes on the post from that of commander of the Far East military region, has been promoted over the heads of a number of full generals and other more prominent commanders. He has held his previous post since 1987.

Colonel-General Moiseyev: new Chief of Staff

In that job he succeeded General Dmitry Yazov, the present Minister of Defence.

Soviet officials have been at pains to deny any hint of division over the decision to make unilateral conventional cuts. Mr Viktor Karpov, Deputy Foreign Minister and chief arms control negotiator, insisted that Marshal Akhromeyev retired on grounds of ill health and will continue as an adviser "to the highest organs of Soviet power."

Whatever the truth of the internal debate, which certainly would have been divisive, the new appointment marks the arrival at the top of the armed forces of the first senior officer not to have served either in the Second World War or under Josef Stalin.

Col-Gen Moiseyev was born in 1939 and would have been 13 when Stalin died. He has had a textbook, if rapid rise, graduating from Frunze Military Academy, rather than university, in 1972, and subsequently graduating from the general staff's military academy in 1982. He also does not appear to be a current member of the Communist Party central committee – suggesting a professional, rather than political, appointment.

The announcement yesterday came as Mr Karpov revealed new details of the conventional force cuts, saying they would be carried out over the next two years and promising unprecedented glasnost in the process. This would include inviting foreign observers, to ensure that the cuts carry conviction in the international community.

He insisted that the troops withdrawn from Eastern Europe would be disbanded and that plans were also being drawn up to use the obsolete military equipment – such as the diesel engines of tanks – for civilian purposes.

"The troops withdrawn will be disbanded, and the military equipment eliminated," he said. Mr Karpov said he believed the only remaining obstacle to agreement on a mandate for conventional arms reduction talks in Vienna was on human rights issues.

Mr Karpov said that agreement should be possible on the one outstanding issue on security – the question of whether eastern and southern Turkey could be excluded from the mandate of the talks. "It is a very small area, not relevant to Europe," he said. "We think we can come to agreement, provided this Turkish area is not used to circumvent arms reductions in Europe." That meant the area (around and to the south of Lake Vann) should not be used for any arms accumulation, and should not have any "foreign presence."

Foreign aid relief floods into Armenia

By Quentin Peel in Moscow

FOREIGN aid and disaster relief for the victims of the Armenian earthquake continued to flood into the Soviet Union yesterday, as a top military commander accused both looters and nationalists of exploiting the tragedy.

Aid has been received from 67 different nations in an extraordinary relief effort which has seen the Soviet Union throw secrecy to the wind and open all possible channels of information and communication to the rescuers.

Hope of finding further survivors of the shattering earthquake is fading eight days after it devastated three towns and dozens of villages in the northern mountains of Armenia, leaving at least 55,000 dead, and 500,000 homeless.

Aid workers have been told that the few crumbling ruins in the town of Spitak, in the north-western corner of Armenia where the earthquake struck, will be dynamited today. The town was all but wiped out in the earthquake.

"In Spitak, there is no question there could be survivors. It is just rubble," Ms Julia Taft, US disaster relief co-ordinator, said on returning to Moscow yesterday. "There are no air spaces."

In addition, the weather had deteriorated sharply since Monday, with night temperatures falling well below freezing. This was likely to have a "dramatic impact" on the chances of finding more people alive, Ms Taft he added.

Soviet officials have now extended their assessment of the tragedy to include 20 more villages, described as "devastated." The aid effort is increasingly being switched to those areas, while continuing in Leninakan, the biggest town to be hit, which was 80 per cent destroyed.

Soviet reports yesterday said 14 survivors had been pulled out of the ruins between Tuesday and Wednesday, including a four-year-old child and its mother.

The Soviet authorities are also eager to recover all bodies from the wreckage, to prevent the outbreak of any epidemics.

Witnesses report a huge military presence throughout the region, primarily for security reasons rather than being involved in disaster relief. Yesterday, Lieut-General Vladimir Dubinyak, chief of staff of the Interior Ministry troops keeping law and order, accused nationalists and criminals of exploiting the situation.

"Incessant attempts are being made to destabilise the situation, which was at last beginning to normalise," he said.

"Even such a terrible tragedy that affected not only Armenia, but the entire Soviet people, has not succeeded in stifling the inflammatory, arrogant, double-dealing nationalist aims of extremist groups."

He said equipment for the relief effort sent from neighbouring Azerbaijan – locked in nationalist conflict with Armenia for the past year – had been blocked at the border between the two republics.

"Congratulatory telegrams" from Azerbaijanis had been seized at post offices, as had countermessages from Armenians rejecting any aid offers from their neighbours.

Dissidents yesterday reported further arrests of Armenian nationalists, as the authorities have sought to clamp down on nationalist unrest at the same time as dealing with the disaster.

General Dubinyak said the territory of Nagorno-Karabakh, the Armenian-dominated enclave in Azerbaijan at the heart of the conflict, remained very tense, and disaster relief workers in the earthquake zone had uncovered a big arms cache, including a machine gun, 16 automatic rifles, pistols and other arms.

He denounced thieves and looters, saying that 150 people had been arrested, either robbing abandoned homes or stripping corpses. Goods worth about Roubles4m ($6.8m) had been recovered.

Members of the banned Karabakh committee – many of whom have now been detained – were trying to gain credit for the relief effort, issuing their own passes to drivers into the disaster area, he said.

South East Asia's fatal attraction

Jeff Sipe looks at the controversy over the recent influx of US films

Demonstrations in the streets greeted the recent release in Seoul of the US-made film Fatal Attraction. The commotion highlighted the difficulties American film distributors face throughout South East Asia.

The protestors included many South Koreans concerned that domestic film makers might become swamped by a tide of imports. But the organisers were often local film distributors who see newly established foreign distributors as a threat.

Foreign distributors have been able to operate freely in South Korea only since earlier this year, when a law was passed permitting wholly owned subsidiaries of foreign companies to set up shop.

United International Pictures (UIP), which distributes films for American groups including Universal, Paramount and MGM/UA, and 20th Century Fox, opened offices in the spring, hoping to take advantage of what they believe could become East Asia's second biggest market for foreign films and videos after Japan. US film distributors believe that American film companies' revenues in South Korea could quadruple in the next few years from $6.9m in 1987.

However, along with a slate of box-office hits, the foreigners have introduced direct distribution – a system in which films go directly from the distributor to the local exhibitor. As a result they have infuriated the local system – a many-layered web in which various middle-men have for decades reaped comfortable profits.

A united effort on the part of local importers and distributors made it not only unprofitable but somewhat risky for exhibitors to accept a UIP or Fox picture. Word went out that baskets of snakes would be released in any theatre showing a UIP film. More seriously, exhibitors were

American films: encountering growing resistance

informed that, should they screen a UIP film, they would not be supplied with enough Korean titles to meet the legal requirement to show domestic films 146 days of the year.

When UIP finally released Fatal Attraction at two theatres in central Seoul on September 25, one theatre owner had already received a death threat, and Mr Mike Pac, UIP's general manger in Seoul, was told that his children would be kidnapped if he did not leave the country within 24 hours. Demonstrations were held in front of the two theatres showing the film, and police intervention was eventually required to ensure the cinema's continued operation.

Referring to the demonstrations, Mr Pac said: "Those organising the protests are still all importers and distributors and the people, in general, don't really understand what the protest is about. Those who do understand have realised that these guys are only interested in their own pockets. There's nothing patriotic about it."

To overcome this perception, demonstration organisers have changed the tone of recent activities. Rather than emphasise the direct distribution question, calls are being made for the Government to lend its support to promotion of the domestic film industry.

Events in other Asian countries are less dramatic but just as indicative of the problems facing the film industry. Taiwan saw a 40 per cent fall in cinema attendance from 1986 to 1987, a drop which industry sources there attribute entirely to the growth of MTVs, video shops which provide on-site viewing facilities for individuals, couples or small groups.

With tape rental prices averaging one-half to one-third of the price of a cinema ticket, and extensive piracy enabling MTV owners to acquire tapes of first-run films which are still in the theatres, MTVs have boomed in their two years of existence.

The businesses have become so successful that they occupy space on virtually every commercial block in Taipei, providing jobs and paying high rents, despite the fact that they have been unclassifiable under the law. Many serve soft drinks to viewers and proclaim themselves restaurants. Others simply call themselves video rental shops. Cinema owners demanded that they be treated as exhibitors and forced to meet the same safety and building codes as regular cinemas.

Faced with the growing economic significance of MTVs on the one hand, and demands of cinema owners and distributors on the other, the Government compromised by drawing up legislation last April regulating MTVs.

Mr Frank Fan of UIP Taipei, however, angrily told government officials at a meeting last spring: "You passed a copyright law and haven't been able to enforce it. Why should we believe that you'll be able to enforce this one."

Mr Fan was proved to be right as compliance with the regulations was based on voluntary registration by MTV owners. No one registered. New, less stringent regulations have since been drawn up, but dependence on voluntary registration leaves most industry figures in Taiwan sceptical.

While piracy is undoubtedly the most pervasive problem in Asia, "parallel imports" undermines the legitimate distribution business in some countries. Singapore, which in 1987 finally passed a new copyright law to take the place of an Imperial Edict from early this century, still allows an individual to go overseas, purchase any number of pre-recorded tapes and sell them in Singapore, regardless of who owns the Singapore distribution rights.

The same situation exists in Japan which has seen a huge reduction in piracy since the establishment of the Japan Federation Against Copyright Theft (JFACT), an arm of the Motion Picture Association of America (MPAA). In Japan, however, the market is well organised and well stocked, and it is no longer profitable to exploit the parallel import loophole.

Cingapore, according to Mr Steven Chug, vice-president of the MPAA's Asian office, legitimate distributors are not importing enough titles to satisfy the video demand, thus leaving a large market open to pirates and parallel importers.

Thailand presents the most overwhelming problems to the western film business. Copyright laws are vague, and piracy is rampant. As one legitimate video distributor there said: "No law in this country is heavily enforced. I just want to make back my investment and get out of the business."

Thailand currently does not represent a sufficiently large market to warrant a full-fledged effort to fight piracy on the large part of the MPAA. Anyway, as one MPAA spokesman, who asked not to be identified, said: "I doubt that we'll ever be able to do anything about the situation there."

W. German interest rates rise

Continued from Page 1

ply expansion down to an annual rate of around 5 per cent in 1989 compared with the near 7 per cent seen this year.

But Mr Pöhl said that the money supply target – based on M3, the broad monetary aggregate – should not be seen as an absolute. Nor should it take account only of domestic factors, since West Germany was so strongly integrated into the world economy.

In setting its latest target, the Bundesbank has moved away from its usual practice of setting a range. The overshooting of this year's 3 to 6 per cent range marks the third consecutive time the Bundesbank has failed to meet its annual target. Mr Pöhl admitted that if it had acted strictly according to its theory, it would have set a 3 to 5 per cent corridor for 1989. But the fixing of a figure at the top of that range allowed for greater flexibility.

He said it was not impossible that M3 growth could be brought under 5 per cent in 1989.

The Lombard rate increase restores the traditional two percentage point difference with the discount rate, which stays at 3.5 per cent.

Ford exhaust breakthrough

Continued from Page 1

num and about one third the cost.

The US Environmental Protection Agency estimates that about $50-worth of platinum goes into each car catalyst, about a tenth of the cost of the total unit. This suggests Ford is spending $175m on its annual requirement in the US.

About 35 per cent of the 3.2m ounces of platinum mined each year goes into automotive catalysts, expected to grow substantially as car emission controls are tightened.

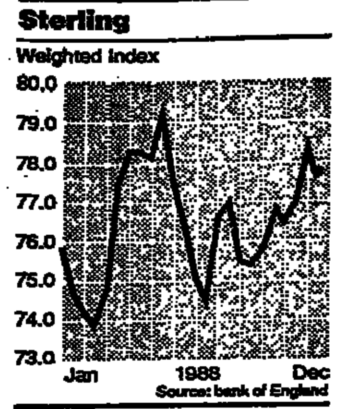
THE LEX COLUMN

The Fed's turn next time

Monetary nationalism being what it is, Mr Karl Otto Pöhl seems to have been slightly miffed that the world heard first about the Bundesbank's Lombard rate rise not from a German but a Frenchman. But the markets, of course, were convinced of it long before that; they had convened the Bundesbank meeting, decided its outcome, and were already half-way to arranging a US discount rate rise before Mr Pöhl opened his mouth.

They have been known to be wrong before, but probably not this time. True, the German move could have been more aggressive. While raising the Lombard rate with one hand, the Bundesbank used the other to cap call money at 5 per cent, in the interests of avoiding any blame for mugging the equity markets. But the message to the Fed was clear: the Bundesbank may be in no mood to see short term rates shoot up in the near term, but simultaneously raising the Lombard rate and lowering the monetary ceiling for next year can only mean tighter policy.

Whether – and when – the Fed will respond to yesterday's interest rate onslaught from the European time zone is another matter. The Fed's decision to stay out of the market altogether yesterday while watching Fed funds creep up as high as 8⅞ per cent suggested that this week's FOMC meeting may already have concluded that tighter policy should be the American way too. But the Fed may not wish to squander a discount rate rise on a market which has already second-guessed an increase; after all, they have until January 20 to make a move without angering their new masters.The UK, for its part, remains in an interest rate world all its own; with a differential of 7¼ points over Germany, the odd ½ per cent may well be neither here nor there.



Blue Arrow

The sad tale of Blue Arrow seems to be going from bad to worse. The company is now worth some 30 per cent less than the cash it raised last year, and still its market price seems high on fundamental grounds. Assuming pre-tax profits of £80m for the year just finished – which would be £30m adrift of market forecasts when Manpower was bought – the shares are on nearly 12 times earnings, way ahead of most other stocks in the agency sector. As for the current year, all bets are off. The US may or may not be heading for recession, and temporary employment may or may not be highly geared to the economic cycle. What is certain is that Manpower, now accounting for perhaps 70 per cent of profits, is faced with desertion by top management and revolt in the ranks.

The situation in the UK is scarcely ideal either, with the chairman heavily borrowed from the rights issue and the company's financial advisers the unwilling holders of nearly 10 per cent of the stock. If the share price is still looking to a buy-out, the market is surely deceiving itself. But a bid would pose formidable difficulties as well. Another agency would have problems with the goodwill, recent balance sheet innovations notwithstanding, and it would be odd for an outsider to choose this stage in the cycle to enter the industry. The world's biggest employment agency must have a value, and all kinds of people will be scrutinising it accordingly. But for those who stumped up 166p a share for last year's rights, no likely outcome will put them back in pocket.

UK airlines

SAS's decision to buy a 24.9 per cent stake in Britain's second largest scheduled airline looks like an expensive and second-best solution to its ambition of becoming a European megacarrier. However, it is very good news for the smaller independent airlines since it proves that despite their often mediocre financial performance, predators are prepared to pay some fancy prices to win a foothold in key markets. SAS is paying around 17 times earnings for a minority stake in an airline with an ageing fleet and a hefty appetite for new capital.

If Airlines of Britain had tried to raise additional capital via an institutional placing or a stock market float, which it had considered, its shares would probably have had to be sold on a multiple less than the 6 to 7 times earnings that British Airways and Davies & Newman currently command. However, as a result of SAS' largesse its owners have been able to pocket a handsome profit, the group's capital base has been more than doubled, and it is far better placed to withstand a price war on its lucrative internal routes if BA ever decided to turn nasty.

For SAS, which has been desperately trawling the world for suitable partners to help reduce its unhealthy dependence on a relatively small domestic market, the benefits are less obvious. Given the parlous financial condition of British Caledonian, it may be thankful that it did not win the latter's hand. But at least BCal would have given SAS access to an international route network which had the potential to be far more profitable than intra-European flights. Airlines of Britain, by contrast, is unlikely to be particularly important as a traffic generator for SAS unless it embarks on a major expansion which could prove costly. While the deal may make similar small airlines ponder the wisdom of remaining independent, it is not likely to threaten BA's peace of mind.

Recruit Cosmos

As the Recruit Cosmos affair rumbles on, it is striking that one of the few institutions still untouched by it is the Japanese stock market. The Diet may grind to a halt, finance ministers and company chairmen may tumble, but still the market sits at close to its all-time record of 30,000. The recent underpricing and preferential placing of the Mitsubishi Motors flotation – an imprudent reversion to type by the Japanese broking community – seems finally to have tried the patience of the Ministry of Finance, and a tender system may now be imposed for all new issues. But auctions are chancy things, and for those who wish to dispense favours, the clearing price and the striking price need not be identical. And after all, those who wish the Tokyo market would correspond more closely to the Western model might reflect on one difference which investors elsewhere might envy – the fundamental shortage of equity in the Japanese economy.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	13	55	Dubrovnik	S	06	43	Malta	F	13	55	Rhodes	F	14	57
Algiers	F	14	57	Edinburgh	C	09	48	Manchester	C	08	46	Rio de J'o	C	38	102
Amsterdam	R	08	46	Faro	S	15	59	Manila	F	28	82	Rome	F	13	55
Athens	C	12	54	Florence	S	09	48	Melbourne	S	29	84	Salzburg	C	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Moscow calls for Mideast peace talks

Continued from Page 1

Mr Shimon Peres, the Foreign Minister, appealed to Palestinians in the occupied territories to lay down their stones and take part in elections to choose representatives to talk to Israel. He said the Israeli Government was willing to talk to a joint Jordanian-Palestinian delegation or separately to either side about peace in the region.

Mr Perez de Cuellar said the Israelis would need time to "digest the news and draw their conclusions, which I hope will be wise and in a constructive direction." In London, General Vernon Walters, US ambassador to the UN, discounted suggestions that Israel would never agree to negotiate with the PLO, quoting an old French proverb: "Never say I will not drink from that fountain. Some day you may get so thirsty that you have to."

The US and Israel yesterday were the only countries to vote against the UN General Assembly resolution calling for a peace conference. But Mr Joseph Petrone, the US Ambassador to the UN in Geneva, said his country would support "a properly structured" conference designed to facilitate direct negotiations between the parties concerned, not one that would impose a prescribed solution.

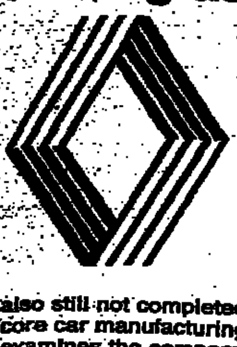
A separate resolution, calling for the designation "Palestine" to be used within the UN system instead of Palestine Liberation Organisation, was passed.

Editorial comment, Page 24; Background, Pages 4 and 24

FINANCIAL TIMES
COMPANIES & MARKETS
Friday December 16 1988

INSIDE

Any colour Renault as long as it's black



Renault is expected to return to profits this year. But the recovery process at France's state-controlled car maker is by no means over yet. Not only is it still awaiting a long-promised FFr12bn debt write-off from the French government — which will help recapitalise the balance sheet — it has also still not completed a restructuring of its core car manufacturing operations. Paul Betts examines the company's efforts to get back into gear. Page 29

Finnish investors get serious

The climb made in volumes traded on the Finnish stock market in the first half of the year has ended. The speculators have pulled out and reduced the Helsinki Stock Exchange to a "serious investors' club." Page 48

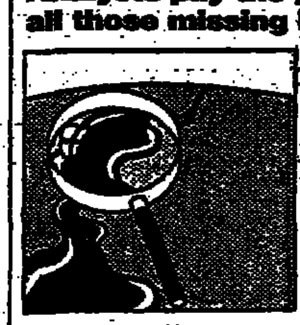
Export delays ground Westland

Westland's pre-tax profits for 1987-1988 were hit by long-running delays in a big export contract. But deliveries of the Sea Kings to an Indian customer have commenced, and Sir John Cuckney (left), out-going chairman of the British helicopter maker, says the year has seen a sharp improvement in orders. He added yesterday that he was also pleased with the appearance of GKN, the UK engineering group as a significant shareholder. Page 32

Stakis gears up for expansion

Stakis, the British hotels, leisure, property and healthcare group, yesterday reported a 28 per cent increase in full year pre-tax profits and Mr Andros Stakis, managing director, said the group was now geared up for expansion in every division. Capital expenditure will absorb some £50m this year and will be spent largely on developing chains of hotels and nursing homes. Page 34

Analysts pay the price for all those missing barrels



Hundreds of millions of barrels of oil have gone missing in the world, leaving market analysts with real problems when they try to make accurate forecasts of price trends. Statistics for production, storage and consumption have been out of balance for weeks, and just where the error lies could have an enormous impact on oil prices. Steven Butler looks at different arguments behind price forecasts ranging between $11 and $18 a barrel for the coming months. Page 36

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Chief price changes yesterday

FRANKFURT (DM)

Rises			
Feldmuehle	284	+	3.8
Kaufhof	383	+	3
Siemens	503	+	5
Viag	228	+	2.5
Falls			
Allianz	1784	−	15
Contl. Gummi	259.8	−	3.2

NEW YORK ($)

Rises			
Goodyear Tire	$48\frac{1}{8}$	+	$\frac{3}{8}$
Motorola	$40\frac{3}{4}$	+	1
Texas Instr.	$39\frac{7}{8}$	+	$1\frac{1}{2}$
Falls			
Grow Grp.	$10\frac{5}{8}$	−	$1\frac{1}{8}$
Texaco	$51\frac{1}{4}$	−	$\frac{3}{4}$
Texas Air	$11\frac{1}{8}$	−	$\frac{1}{4}$

New York prices at 12.30.

PARIS (FFr)

Rises			
Inst. Merieux	6090	+	590
Lesieur	2080	+	79
Raffinage	74.9	+	2.4
Falls			
Comptoir Ent.	207	−	11.5
Gal. Lafayette	1101	−	96
S.F.I.M.	1466	−	59

TOKYO (Yen)

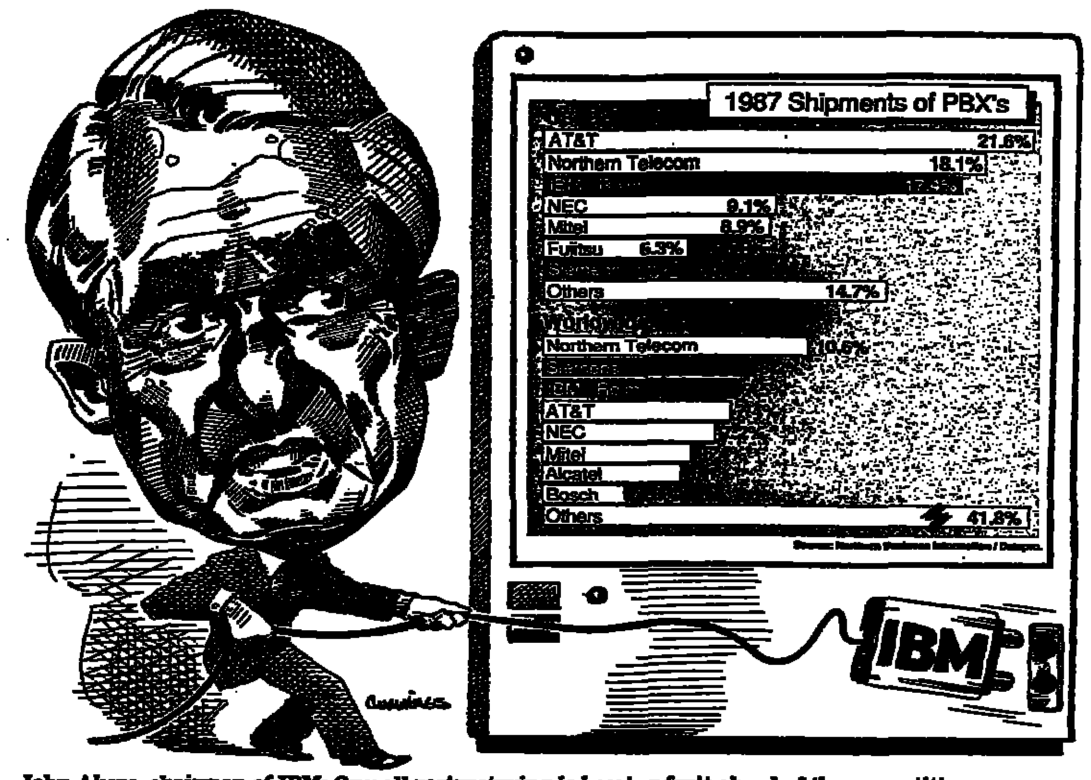
Rises			
Denny's Japan	3410	+	220
Koa Oil	1080	+	104
Sankyo Seiki	1060	+	107
Tokan	900	+	55
Falls			
Achilles	991	−	89
Michina	1980	−	220

LONDON (Pence)

Rises			
Bass	775	+	10
Body Shop	482	+	14
Bradstock Grp.	183	+	6
Century Oil	180	+	15
Chrysalis	117	+	8
Electra I.T.	$215\frac{1}{2}$	+	$7\frac{1}{2}$
Enterprise Oil	536	+	20
Inchcape	197	+	6
LandLeisure	382	+	14
Lee (Arthur)	151	+	10
Leisure Inv.	93	+	4
Local London	489	+	32
LASMO	$474\frac{1}{2}$	+	$11\frac{1}{2}$
Mountleigh	$163\frac{1}{2}$	+	6
Regalian	111	+	$6\frac{1}{2}$
Ryan Int.	135	+	31
Stakis	82	+	5
Sun Alliance	951	+	11
Taylor Woodrow	579	+	13
Wimpey (Geo.)	256	+	9
Wolseley	225	+	9
Falls			
Empire Stores	173	−	8
Lonrho	331	−	9
Yale & Valor	295	−	6

Crossed lines bring IBM a wrong number

Following its deal with Siemens, Roderick Oram looks at Big Blue's problems in the telecoms market



John Akers, chairman of IBM: Overall restructuring is bearing fruit ahead of the competition

THE WORLD according to Big Blue was supposed to look a lot different by now. Back in the mid-1980s International Business Machines believed rapidly converging technologies would meld the computer and telecommunications equipment businesses.

Putting its money where its forecasts were, it made its first acquisition in 20 years, paying $1.5bn (£800m) for Rolm. The spritely Silicon Valley company was at the forefront of computer-controlled private branch exchanges (PBXs), the automated switchboards that route phone calls around companies.

As tricky to tame as ever, though, technology and market forces have since taken a different turn. Computer users are finding ways for their machines to communicate other than through PBXs. The failed strategy has cost IBM dear, culminating with this week's decision to give Siemens, the West German electronics group with strong telecommunications experience, the leading role in Rolm.

IBM's mistake was shared by others. Most notably, American Telephone and Telegraph spun off its regulated local telephone operating companies five years ago so it could plunge into unregulated areas.

Wall Street expected the two US giants to square off. But AT&T has had to take a more realistic approach to carving out a big position in computers after running up hefty losses.

Instead of competing head on, IBM and AT&T have turned back to reinvigorating the businesses they know best. Ironically, new digital services offered by phone companies in their central offices are one of the alternatives that have reduced the attractiveness of PBXs.

Still, IBM is refusing to call it quits on the business. "I would absolutely not characterise this as a scaling back of IBM's interest in telecommunications," Mr John Akers, its chairman, said at a press conference in New York on Tuesday with Dr Karlheinz Kaske, Siemens' chief executive.

The two companies will co-operate in developing advanced PBXs that within a few years should be able to handle more effectively both voice and data transmissions. The outlook for that, though, is uncertain. Many users are sceptical about the need for so called ISDNs - Integrated Services Data Networks.

Their marketing joint venture will make them virtually first equal with AT&T in the US market for PBXs with just over a 21 per cent share and first outright in the world market with a 15.7 per cent share, according to Northern Business Information/Datapro. IBM gains from the deal in Europe where it has failed to establish Rolm, while Siemens benefits in the US where its own share is a meagre 3.9 per cent.

In the part of the pact probably most welcome to IBM, Siemens is taking over for an undisclosed sum Rolm's manufacturing and development operations. Rolm Systems, a new US subsidiary of the German company, will consist of about two-thirds Rolm manufacturing assets and one-third Siemens' US telecommunications equipment business.

At first Rolm and IBM had enjoyed a remarkably blissful honeymoon for such an odd couple. One was a sizzling 15-year-old California enterprise whose staff often dipped in the company pool at lunch time. The other a stodgy 73-year-old bureaucracy whose staff munched contentedly in subsidised cafeterias. Both were high on the idea that one had the product and the other the advanced technology and marketing clout, that combined would make big business.

"I always gave IBM very high marks for its sensitivity in trying to assimilate a company with a totally different culture," said Mr Doug Goodall, who left Rolm last year to join Aspect Telecommunications.

Disenchantment began to spread, though, first because of some relatively minor product problems, then from trying to develop a new generation of equipment. Whatever the internal difficulties, the far greater headache came from the market.

Computer companies were rapidly developing equipment for local area networks which handled data separately from voice. Moreover, excess manufacturing capacity made the PBX market frantically competitive.

As problems mounted, Rolm found itself "Big Blued." First IBM's finance people moved in, then marketing types. Last year Rolm was stripped of its separate structure and poured into existing IBM divisions. But losses still persisted, running at around $100m in the first half of this year, some analysts estimated.

The Siemens solution is highly unusual for IBM, a company known for its dogged determination to stand alone. Not only has it sold part of its manufacturing operations to a competitor but it then plans to co-operate with it in a joint marketing venture.

By ceding most of Rolm to Siemens, IBM gets rid of a loss-maker, gains through marketing new products benefitting from Siemens greater telecommunications skills and gets some 8,000 employees off its books. The logic and effect of the pact is consistent with Mr Akers' other major moves in the pest couple of years to rejuvenate IBM.

His strategy has three main elements, summarises Mr William Easterbrook, of Kidder Peabody. He has tightened the group's focus on its core computer business by disposing of fringe activities; restructured its bureaucracy to make it more responsive to market and technology developments and to cut costs; and introduced successful new models to make the product range fresher and more coherent.

Earlier disposals included its 16 per cent stake in MCI Communications, the long distance network competing with AT&T. Like Rolm, the investment was a relic of IBM's imperfect grand telecommunications strategy. Never blaming IBM for being wrong-footed by developments in that business, Wall Street has responded positively to its remedies. Analysts cannot identify any other substantial fringe business left for Mr Akers to sort out.

Though Mr Akers' achievements are highly notable for such an unwieldy company as IBM, the pay off appears more modest. Strong earnings of 10-12 per cent a year for 1987-89 will only restore IBM's profits to record levels set in 1984.

Olivetti refuses to buy rest of Scanvest

By Karen Fossli in Oslo and Alan Friedman

OLIVETTI, the Italian office equipment group, is refusing to comply with a request from Norway's stock exchange authorities that it make a public offer for the 49 per cent minority shareholdings held in Scanvest Ring, an Oslo-based distributor of integrated data processing systems.

The Olivetti position, contained in a letter sent by the company's Norwegian lawyer to the Oslo authorities, comes amid mounting controversy over Scanvest and just a day after the surprise resignation of Mr Sjur Svaboe, the Scanvest chairman who arranged the sale last April to Olivetti of 51 per cent of the company for around $70m.

Bourse officials in Oslo have meanwhile said they are looking into allegations of possible insider trading concerning Scanvest.

Olivetti yesterday said it was "extremely disappointed with the performance of Scanvest Ring" and that the company's poor 1988 performance resulted "for the most part from write-offs related to activities in 1987 which were not revealed by that year's balance sheet."

Olivetti also charged that current results are "completely out of line with representations made to Olivetti at the time of the acquisition." In the light of these complaints Olivetti said it is reserving the right "to take the steps necessary to protect its interests, including seeking refund of overpayment."

Olivetti's blunder in the affair, according to the stock exchange, was that it did not comply with stock exchange rules which require that all shareholders should be given fair and equal opportunity to benefit from a takeover.

The Oslo bourse, does not however, have the clout to force foreign companies to comply with its takeover rules. It would cost Olivetti about Norwegian Kroners 500m to comply, a sum substantially in excess of the present market value of the minority shares in Scanvest.

In Ivrea, however, Olivetti said last night that it does not feel "obligated" by stock exchange recommendations that it purchase the outstanding shares of Scanvest and that it would act "only after having re-assessed the current overall condition of Scanvest Ring."

Aggressive Siemens sees safety in economies of scale

By Hugo Dixon

SIEMENS' deal with IBM is the latest step in an increasingly aggressive strategy by the large West German electronics group to build up its worldwide telecommunications business.

The strategy stems from the company's belief that, by the end of the century, there will only be half a dozen telecommunications manufacturers in the world selling a full range of products.

Only those companies which have the necessary economies of scale to spread the costs of developing the next generation of telecommunications products will survive, Siemens believes. "We are all fighting for survival," Mr Hans Baur, head of the company's public telecommunications business, said earlier this week.

The Rolm deal follows Siemens' hostile bid, with GEC of the UK last month, for Plessey, the UK electronics company. If that bid is successful Siemens will take a 40 per cent stake in GEC Plessey Telecommunications (GPT), the UK's largest telecommunications manufacturer.

Taken together, the two moves would propel Siemens into third position in the North American market after AT&T of the US and Northern Telecom of Canada. North America is important not only for its size, but also because its telecommunications systems are the most technologically advanced in the world. Siemens, however, has been struggling to make an impact there.

Rolm is North America's third largest supplier of Private Branch Exchanges (PBX) – switches used to route calls within a large organisation. When added to Siemens' own North American PBX business, Rolm would become the continent's second largest supplier.

The GPT deal, on the other hand, would strengthen Siemens' position in the public exchange market, where the non-indigenous suppliers are in a bitter fight to see which can establish itself as the third supplier after AT&T and Northern. A combination of Siemens and Stromberg Carlson, GPT's subsidiary, would take that third position.

The Rolm deal will not improve Siemens' profitability in the short-term – Rolm is estimated to have lost $100m in the first half of this year, because of extreme competition in the North American PBX market. However, it will give an immediate boost to Siemens' customer base.

In the long run, joint development of the next generation of PBXs should help Siemens rationalise its product range and cut costs substantially. There could be even greater benefits, if the GPT deal goes through, as the three companies at present have five main models of PBX between them.

CBS pays $1bn to get back in the US television ball game

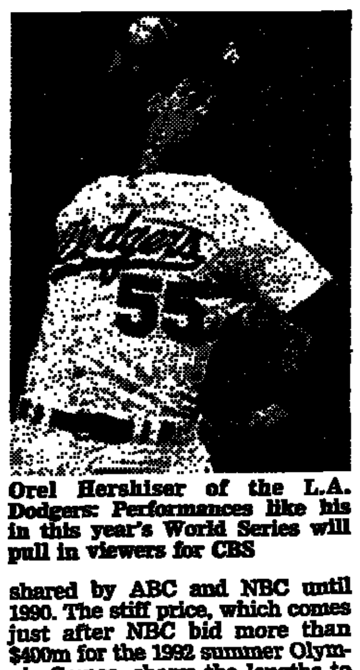
By James Buchan in New York

CBS, the US broadcasting group, will spend over $1bn for exclusive rights to show the best of major-league US baseball in a risky and ambitious move to reverse its declining market share.

The winning bid, which knocked out the two other national television networks, ABC and NBC, in a competitive auction, is a climax in efforts by Mr Laurence Tisch, chief executive of CBS, to refocus the company on its television business. CBS has built up a cash hoard of over $2bn from the disposal of its famous recording labels and publishing operations.

The $1.1bn deal, which was announced on Wednesday covers the four years starting in 1990 and gives CBS exclusive rights to the jewels of baseball, comprising the World Series, the championship games for each of the two leagues, the mid-season All-Star game and 12 regular games. Cable companies are competing in a second auction for a package of nightly games in the regular season.

CBS is paying about 25 per cent more than the current contract for the games, which is shared by ABC and NBC until 1990. The stiff price, which comes just after NBC bid more than $400m for the 1992 summer Olympic Games, shows the lengths to which the networks will go to wrest prestige programming from competitors – and upstart cable.



Orel Hershiser of the L.A. Dodgers: Performances like his in this year's World Series will pull in viewers for CBS

Baseball audiences have been declining since the turn of the 1980s and NBC says it will lose money in the last year of its contract.

But CBS is apparently ready to take losses if it can use the autumn championship games and World Series to promote its prime-time entertainment programmes.

In a business where a few points of rating means hundreds of millions of advertising dollars, CBS desperately needs to boost its audiences. Earlier this week, the network was forced to scrap half of the new shows in its key autumn schedule.

"Look at it like this," says Mr David Londoner, an analyst at Wertheim Schroder in New York. "CBS is deep in third place. Nobody really expects it to net a profit on baseball. But they can get audiences hooked for the new shows by slapping in commercials during the World Series."

The deal will also transform the finances of baseball teams. Each team will start the season with about $10m in revenues before even one ticket is sold.

Managers move for Ryan buy-out

By Nikki Tait in London

RYAN International, the British coal-mining and coal recovery group, hauled back from impending receivership by Mr Crispian Hotson and fellow investors three years ago, yesterday announced surprise plans to move into the private sector via a £89.6m management buy-out.

News of the buy-out bid comes just three months after the abortive proposal for a merger between Ryan and Carless, the UK oil independent. The deal ran into opposition from major Carless shareholders, and was abandoned after Kelt Energy, another oil independent, launched a hostile bid for Carless.

Mr Hotson stressed that the decision to take Ryan private reflected a divergence between the requirement of a quoted company to perform in the short-term and the need for Ryan to adopt a longer term strategy. Ryan says 1988 interim earnings will be below expectations because of delays in agreeing a new contract price in Belgium and disappointing results in the US.

Yesterday, Ryan shares rose from 104p to 135p. The bid, at 140p a share in cash with a loan note alternative, is being made by Digger, a newly-formed company, and is recommended by the independent directors of Ryan.

Management will about hold 13 per cent of Digger's equity, with the rest spread between Saratoga Resources NV (in which Mr Hotson has an interest), Bankers Trust, Creditanstalt-Bankverein and other institutions.

INTERNATIONAL COMPANIES AND FINANCE

National Semi hit by market slowdown

By Louise Kehoe in San Francisco

NATIONAL Semiconductor, the California-based semiconductor and computer manufacturer, yesterday reported losses of $25.2m (£13.8m) for its fiscal second quarter, caused by a significant slowdown in the US semiconductor market.

Sales for the quarter were $705.3m compared to $640m for the same period last year when the company reported net earnings of $11.6m, or 8 cents per share.

For the first half of the current year, sales were $1.35bn, with a net loss of $55.7m, or 58 cents per share. Sales in the first half of the previous year were $1.16bn with net earnings of $25.1m, or 19 cents per share.

"Losses in semiconductor operations were offset by strong sales by National Advanced Systems, the mainframe computer subsidiary," said Mr Charles E. Sporck, president and chief executive.

Datachecker, National's supermarket check-out computer systems operation, showed improved strength in the quarter, the company said.

Earlier this week, National announced plans to sell Datachecker to Britain's ICL for $90m, plus $36m in royalty payments over a three-year period.

While the semiconductor market slowdown has created serious concerns throughout the US semiconductor industry that the highly cyclical market may be heading into a severe slump, National said that bookings and sales began to improve toward the end of the second quarter.

● In contrast with National's losses, Micron Technology of Idaho, a manufacturer of semiconductor memory chips, reported a spectacular 282 per cent rise in income for its first quarter ended December 1.

Micron's Dynamic Random Access Memory (DRAM) chips are in short supply worldwide, and prices have soared over the past year. The company recently announced a supply agreement with Amstrad of the UK.

Revenues for the quarter were $110.4m, while net income was $32.2m or 88 cents per share. For the same period last year Micron reported revenues of $43.2m, net income of $8.4m, and earnings per share of 33 cents.

Travelers' withdrawal in California to be blocked

By Louise Kehoe

CALIFORNIA'S Insurance Commissioner will block Travelers Group, the big US insurance and financial services concern, from withdrawing from the automobile and property insurance market in the state.

The Commission's action follows Travelers' issue of notices to as many as 70,000 California policy holders that it will not renew their insurance.

Travelers' action stems from the passage of Proposition 103, the controversial "insurance revolt" ballot initiative, last month.

Full implementation of Proposition 103, which includes a 20 per cent cut in property and casualty insurance premiums, has been held up by the State Supreme Court. The Court has agreed to hear suits filed by the insurance industry which challenge the constitutionality of the ballot measure.

Following an Insurance Commission hearing on Wednesday, however, Commissioner Roxani Gillespie announced plans to issue a "cease and desist" order against Travelers. The move is seen as the precursor to months of conflict between insurance reform supporters and the industry over the implementation of 103.

Also closely involved in the fight is the state administration who is charged with implementing the new law, but who is politically opposed to it.

Travelers said it would comply with the order but would "reserve the right to cancel" policies, pending the Supreme Court decision.

ZZZZ man defrauded investors

By Roderick Oram in New York

MR BARRY MINKOW, a former teenage entrepreneur who claimed mobsters and loan sharks ruined his carpet cleaning business, has been found guilty by a Los Angeles court on 57 charges of securities fraud and money laundering.

Starting the ZZZZ Best company in his parents' garage six years ago at the age of 16, Mr Minkow expanded it rapidly to the point of a splashy stock market flotation. He lived well on the proceeds in a $1m house, driving a Ferrari and appearing on chat shows.

His financial schemes began to unravel several years ago, leading to bankruptcy 18 months ago. It was one of the largest securities fraud in a decade on the West Coast, the authorities said when they charged Mr Minkow.

"He sold investors on a business that for the most part did not exist," Mr James Asperger, the prosecutor, told the jury. During the trial Mr Minkow said he had misled investors by falsely claiming the company had millions of dollars of building refurbishing contracts.

The jury found he had defrauded investors of at least $25m. He is due to be sentenced in February when he faces a maximum fine of $13.5m and up to 403 years in prison.

SCA in SKr2bn spending plan

By Robert Taylor

SCA, one of Sweden's leading forestry groups, is to start production of LWC paper – for magazines and pamphlets – with an investment programme of just under SKr2bn ($331m).

The company said the new product represented an important step in SCA's strategy that newsprint should provide "the foundation for the development of a complete product line of wood-containing grades of printing paper."

It is estimated that annual capacity for the production of LWC paper will be 165,000 tons when it begins at the turn of 1990-1991.

Michael Donne in London and Robert Taylor in Stockholm on the SAS/ABH deal

Jet set takes off after landing a firm foothold for the future

Ashley Ashwood

Mr Carlzon, left, and Mr Bishop at the press conference

THE PURCHASE by Scandinavian Airlines System (SAS) of a 24.9 per cent stake in the Airlines of Britain Holdings group (ABH), which includes British Midland Airways, is expected to bring significant benefits to both partners.

The £25m ($45m) deal will give SAS a significant foothold in the UK air transport industry, which it originally sought with its abortive attempt to buy a shareholding in British Caledonian Airways last winter, and extend the current SAS strategic objective of developing major overseas interests which have already been achieved in the US, South-East Asia and are planned for Japan.

For ABH, which in addition to British Midland includes Manx Airlines, Loganair and London City Airways, it will provide a major financial and operating link with one of the world's top airlines, at a time when the need in the air transport industry is for smaller airlines to strengthen themselves in preparation for what is called the coming era of the megacarrier.

Mr Jan Carlzon, president and chief executive of SAS, said in London yesterday that once the legal formalities of the deal had been settled the two airlines would sit down to work out a long-term co-operative plan that would enable each to take advantage of the other's experience in its own home market, and to exploit their joint opportunities in other world markets.

It was stressed that the investment is strictly a trade one on the part of SAS: it does not – at least at this stage – presage a bid by SAS for a bigger holding in ABH.

Indeed, the latter would probably be impossible under UK civil aviation regulations, which require that airlines registered in Britain remain majority British owned. The Civil Aviation Authority has approved the SAS stake in ABH on that basis.

Mr Carlzon said the transaction was "an interesting and important step for both companies in their quest to create a joint and more comprehensive market base in Europe. It also provides the foundation for a strong co-operation on a worldwide basis later on.

"The SAS/ABH venture will provide both companies with essentially the same strategic advantages as contemplated when SAS, a year ago, made a bid to preserve British Caledonian as a strong second force in the UK market," Mr Carlzon said.

"In addition we will benefit from the ABH Group's strategic locations at London Heathrow and at the new London City Stolport and at Manchester and Glasgow, which are also important points on the SAS network."

Mr Michael Bishop, chairman of ABH, who will remain in control of that operation, with a personal 64.8 per cent of the enlarged share capital of the group, said the link with SAS would ensure for both airlines growth opportunities "which could not otherwise have been secured.

"The new capital which SAS brings to the ABH group will enable us to further develop the competition which we have so effectively established on UK domestic routes, and increasingly to Europe, bringing higher standards of passenger service and lower fares to these routes."

ABH has won a number of additional take-off slots at Heathrow, and early in the New Year will be announcing a series of new short-haul international services between Heathrow and Continental cities, in competition with BA.

Mr Bishop stressed that ABH would continue to compete vigorously with other operators. "I am convinced that a strong airline industry investor (such as SAS) will enable the ABH group to compete more effectively and on equal terms with other major carriers."

These benefits of scale and synergies "will ensure we can match similar advantages enjoyed by our principal competitors," Mr Bishop declared.

From the SAS point of view, the deal is the latest example of the Scandinavian airline's aggressive buying strategy in its often frantic attempts to become one of the major European carriers in international civil aviation in the 1990s, capable of meeting the formidable challenge of the big Asian and US megacarriers.

SAS's overall strategy is to create a "critical mass" of traffic volume by seeking global alliances with other airlines, thereby building a stronger market base in Europe and efficient connections overseas in co-operation with local airlines with reputations for top quality of service. This explains the attempted link-up with Aerolineas Argentinas, currently bogged down by Argentinian political infighting (see below).

For the past few years SAS, very aware of its small home market in the Nordic area of only 18m potential customers, has been pursuing a twin-track strategy. It would like to collaborate with one major European carrier to expand the hub of its international activities.

At the same time it has been seeking links with domestic feeder airlines across the world for its intercontinental traffic. "These deals must be seen in the wider context of the big strategic objective of a link to another European airline company," says Mr Brian Knox, Nordic analyst at Kleinwort Grieveson.

Until now SAS has enjoyed more success with its second aim than its first, though even this has run into trouble in an industry where the politics of economic nationalism can still have a major influence on business decision-making. In 1986 SAS had talks with a number of airlines on joint co-operation, notably Austrian Airlines, Finnair and Sabena, but these came to nothing.

However, SAS has reached agreements in recent years with a number of domestic feeder airlines.

Given SAS' strategic objectives, the deal with ABH is not likely to be the only link between SAS and other European airlines. Mr Carlzon indicated that the SAS options remained wide open, and additional links with Continental carriers could not be ruled out.

Peronists force collapse of Argentine airline stake

MR RODOLFO TERRAGNO, Argentina's Minister of Public Works, has announced that a 10-month-old project to sell 40 per cent of Aerolineas Argentinas, the state airline, to Scandinavian Airline Systems, has collapsed, writes Gary Mead in Buenos Aires.

Failure of the deal, which was the flagship in the government's attempt to semi-privatise loss-making nationalised industries, is a considerable blow both to Mr Terragno and President Alfonsin's administration.

The final stumbling block came from a united and vociferous Peronist opposition in the Senate, Congress's upper house. Under Argentine law any proposed sale of nationally-owned assets must be approved by Congress.

Legislation to sell part of Aerolineas to SAS went to the Senate at the beginning of November. SAS made it clear at the time that it considered December 15 the deadline for Senate approval, after which it would exercise its right to withdraw.

It had been evident for some time that Peronist and other senators from smaller parties would oppose the deal, on the grounds of alleged illegality and lack of transparency.

Peronist politicians have frequently stated they do not oppose privatisation deals as such, only the manner in which the government has made them.

Under the terms of the deal, which were first made known on August 11 this year, SAS were to take a 40 per cent stake for $204m (£112m), valuing Aerolineas at $510m.

However, an immediate furore broke out when the then president of Aerolineas, Mr Horacio Domingorena, denounced the arrangement, claiming that SAS would actually pay between $158-160m.

Mr Domingorena was quickly replaced and Mr Terragno denied the allegation.

However, Mr Domingorena's figures have since been officially confirmed by both SAS and the Argentine government, which agreed to set aside $110m from the original valuation, discounting Aerolineas debts incurred by leasing arrangements on two jumbo jets.

Mr Terragno will now withdraw the SAS-Aerolineas bill from Congress, and instead has said he will now "very rapidly" put forward legislation calling for international bids, in which he hopes SAS will be a leading contender.

Mr John Herbert, a strategic planning executive of SAS, said that SAS prefers Mr Terragno's decision to pull the bill, rather than see it pass by a small margin.

In the context of a presidential election due next May, which opinion polls so far give to the Peronists by a wide margin, SAS wants a more settled political environment before going further.

INTERNATIONAL COMPANIES AND FINANCE

Renault takes the Japanese road

Paul Betts on how the French car group is reshaping for profits

Years of heavy losses may soon be over for Renault, the French state-owned car company. A restructuring programme, which began four years ago, is expected to pay its first dividend this year with the company on course for net profits of about FFr6bn ($1bn).

Tight Japanese production methods have helped the company to trim its workforce and improve efficiency at its largest industrial plant, Flins, 25 miles north of Paris. But the recovery process is by no means over.

Not only is Renault still awaiting a long-promised FFr12bn debt write-off from its sole shareholder, the French government, to help recapitalise its balance sheet, but it has still not completed the restructuring of its core French car manufacturing operations.

Of these Flins and Billancourt, the company's two large plants in the Paris area, pose the biggest industrial headaches.

The problems, however, are very different. While the future of Flins looks fairly secure, Billancourt is ultimately doomed. The plant, Renault's oldest, has become an industrial anachronism. Located on an island in the Seine in the densely urban Paris suburb of Boulogne-Billancourt, the factory is also built on several storeys and could not be further from the modern Japanese model of highly concentrated and automated assembly on one floor.

The Billancourt plant, which at its peak employed nearly 20,000 people, today employs only 4,500 workers on its assembly operations to make about 550 cars a day. Billancourt does not lose money thanks to considerable efforts to improve productivity and rationalise, as far as possible, its traditional manufacturing operations. But it can never hope to compete with more modern European car assembly plants.

Shutting down Billancourt overnight would provoke a major political and social storm in France. For years, the plant has been a major bastion of the pro-Communist CGT union and its closure would represent a watershed in the history of the French automobile industry. But the day must come when Renault will close Billancourt.

For the time being, the company is content calmly to manage the gradual but inevitable winding down of the historic Billancourt plant.

Flins, however, still remains a central element of Renault's domestic car manufacturing operation producing 1,600 cars a day – about a third of the group's French car output. Although Flins produces the bulk of Renault's R5 supermini production, Mr Michel Auroy, the plant's manager, acknowledges that the group is already asking itself hard questions about the huge 35-year-old plant.

"The problem is how to make Flins more competitive and productive, for this will ultimately answer the question whether Flins will continue to exist in ten years time," he explained.

"Many people at Flins think that Renault will never be able to do without this plant because of its size. For them size is reassuring. But the real issue is not size, but how we can improve our performance to guarantee the future of this plant."

Size is a handicap, not a bonus. The plant sits in about 700 acres which is excessive by any standards for a modern car plant. "If we were to rebuild this plant from scratch to produce the same number of cars as we do today, we would only need to reconstruct about two thirds of the existing area devoted to assembly operations," Mr Auroy said. "Size will always remain a penalty for the plant making it 2 to 3 per cent more expensive to operate than a brand new facility. For this reason we have to double efforts to improve productivity."

During the last two years, Renault has invested in automating and modernising Flins' stamping and sheet metal workshops as well as the plant's paintshop.

But Renault has also had to be very selective in its investment policies because of the group's financial squeeze. The company's car range and reducing debt are bigger spending priorities.

This has meant that the group has not spent as much as it would have liked on other parts of its operations, even though its financial improvement should now enable it to adopt a more generous investment strategy.

At its peak, in the 1970s, Flins employed about 18,000 people for a daily output of about 1,900 cars. By the beginning of this year, the workforce was already down to 11,900 people. By the beginning of next year, it will have declined by another 10 per cent to about 10,800 people.

"The big difference is that in the past we were reducing both the workforce and production. Now the workforce is coming down but production is staying put," said Mr Auroy. The workforce at Flins is expected to be reduced further in the next few years with the target of producing the current level of 1,600 cars a day with only about 8,500 people.

Renault has adopted Japanese "just in time" and zero stock systems to improve productivity. But the recent strike at the company's Le Mans axle manufacturing plant illustrated the difficulties of adapting Japanese concepts in France.

The strike forced Renault to shut down production at Flins for four days because the plant ran out of axle components. But worker and union mentalities are changing in France and even at Renault, says Mr Auroy.

In the past, Renault was regarded as a state sector social laboratory. But with its financial crisis and its sweeping restructuring started under the late Mr Georges Besse and continued by Mr Raymond Levy, the group's chairman, Renault is now increasingly regarded by its own troops as a normal company facing the same constraints and competitive pressures as other big industrial groups.

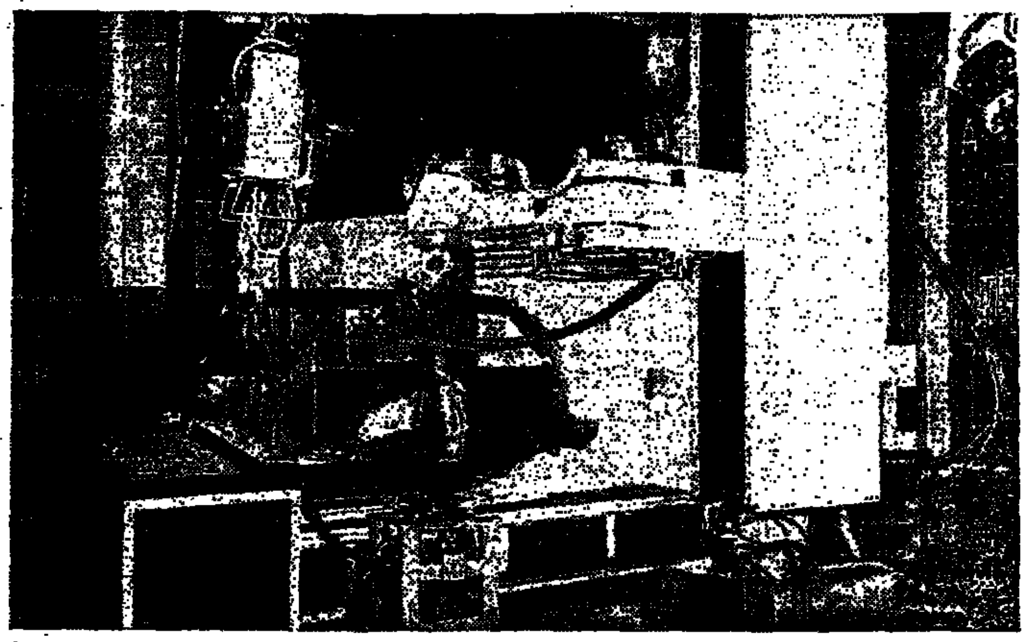
To increase worker awareness of the challenges facing the company, Renault decided to abandon its former policy of maintaining 10 to 20 days of stocks in reserve as protection against a strike. "If you keep reserve stocks you are in a way admitting that you will always face strikes," Mr Auroy explained.

At the same time, the introduction of comprehensive Japanese-style zero stock policies has increasingly forced the Renault unions to face up to their responsibilities, the car group's management believes.

Long-term, Mr Auroy thinks that Flins could improve productivity even more by introducing round-the-clock production organised in three eight-hour shifts instead of the current system of two eight-hour shifts. A three shift system would enable Flins to increase daily output to up to 2,100 cars.

Mr Auroy believes that productivity can continue to improve at Flins by about 7 per cent a year during the next three years. The fact that Flins was not hit by any serious internal labour disputes this year despite the 10 per cent cut in the plant's workforce suggests that a major evolution is now taking place in labour relations inside the state car group.

Significantly, the principal source of industrial conflict at Flins this year has not been over redundancies but over pay. "The unions are starting to become aware that the Japanese are coming and that this is a question of life and death," remarked Mr Auroy.



Japanese "just-in-time" and zero stock systems have helped Renault move towards the black. At the Flins plant, Renault believes productivity can continue to increase at 7% a year

Rodney Adler succeeds father as FAI head

By Our Financial Staff

FAI INSURANCES, the Australian insurer and investment company, has named 29-year-old Mr Rodney Adler as its new chief executive. He succeeds his father Mr Larry Adler who died on Tuesday.

Mr John Landerer, an adviser to FAI, has been appointed acting chairman after the directors said Mr Rodney Adler had declined the dual role. Mr Landerer is a director of TNT, the leading transport company.

The FAI board said it would appoint a non-executive chairman in due course. Mr Bruce Corlett was named deputy chairman.

Indonesian oil company doubles gross profits

By John Murray Brown in Jakarta

PERTAMINA, Indonesia's state oil company, has reported gross profits of Rp1,540bn ($313m) for the year to March, more than double the 1987 result and the company's best year since it almost bankrupted the country with accumulated debts of $10bn in 1975.

Mr Faisal Abdaoe, Pertamina's president since August, attributed the increase to better crude prices on world markets. But with oil prices now falling, profits this year would probably decline, he said.

Pertamina, which like other Indonesian companies does not make public its full accounts, earns most of its estimated $6bn revenues from subsidised domestic sales and processing charges at its five refineries. Pertamina's production activity accounts for only 5 per cent of Indonesia's total output; the lion's share is handled by foreign companies.

Indonesia, Asia's only Opec member, is offering a $5 discount of official prices for June to December delivery to its buyers in Japan. Mr Ginandjar Kartasasmita, Energy Minister, said Indonesia is considering reviving long-term contracts for oil. "It could be for one year or six months. The price formula must respond to the market," he said.

JAPANESE TRADING HOUSES
Consolidated results (Ybn), half-year to September

	Sales		Pre-tax profit		Net profit	
	1988	1987	1988	1987	1988	1987
C. Itoh	8,008	7,783	26.25	22.12	14.29	11.02
Mitsui	7,968	7,514	44.60*	36.87*	16.50	7.80
Sumitomo	7,214	6,812	28.45	27.19	15.10	13.23
Mitsubishi	7,107	6,377	35.92	28.70	21.05	16.05
Marubeni	6,848	6,664	26.78	21.08	15.06	8.85
Nissho Iwai	5,544	4,673	13.65	9.66	7.19	4.10

*Operating profit

Domestic demand buoys Japan's general traders

By Our Financial Staff

JAPAN'S leading general traders all achieved an increase in worldwide profits for the first half to September as strong domestic demand enabled them to offset poorer returns on their oil trading activities.

C.Itoh, which has risen to the top spot in recent years, pushed consolidated net profits up 29.7 per cent on sales which, breaching the Y8,000bn ($65.2bn) mark, showed only 2.9 per cent growth.

Officials there said local sales of construction machinery, textiles and foodstuffs, excluding both export and import deals, assisted a rise in domestic revenue of 11.1 per cent to Y4,686bn.

Imports of textiles and foodstuffs were also strong but third-country transactions were down 18.6 per cent to Y1,346bn. C.Itoh expects group net profit to reach Y28bn in the full year to March, up from an earlier forecast of Y27bn and against Y25.38bn in 1987-88.

Revenues at Mitsubishi Corporation overtook those of Marubeni, which suffered declines in its import and export operations.

Marubeni expects full-year sales to be barely more than last year's Y13,762bn but thinks net profits will show a sharp rise on the Y16.42bn for 1987-88.

An improved trading margin and a sharply higher return on equity investments were main factors in the first half, it added.

Mitsubishi said its 31.2 per cent gain in net earnings reflected enhanced domestic demand for steel products and high price levels for non-ferrous metals.

Exports now account for only 16 per cent of its total business, outweighed by imports with nearly 19 per cent and domestic activity which comprises 45 per cent. Trading outside Japan accounts for the remainder.

Mitsubishi identified domestic transactions in construction materials as a particularly strong sector amid the country's building boom.

Sumitomo Corporation, which said it expects group net profit for the year from March to increase by more than 14.2 per cent from the previous Y30.18bn, has adopted US accounting standards from the beginning of the current period.

INTERNATIONAL CAPITAL MARKETS

Primary trade at virtual halt ahead of holiday

By Dominique Jackson

ACTIVITY IN the Eurobond market continued at a bare minimum yesterday as the primary market virtually ground to a halt ahead in the subdued pre-Christmas business with most syndicate officials and several traders either recovering from or anticipating the traditional round of seasonal get-togethers.

Although the most active sector was reportedly Eurosterling which has attracted steady attention over the last few weeks, attention yesterday was focussed on West Germany where the Bundesbank, as widely expected, brought the Lombard emergency funding rate up to 5½ per cent from 5 per cent. Monetary authorities in the Netherlands, Belgium and France had already raised some key interest rates ahead of the anticipated German move.

Consequently the move to raise the Lombard rate was widely expected and had been more or less built in to Euromark prices. The market opened basically unchanged but with a discernibly better undertone which was later translated into an average rise of around 20 basis points in selected issues after the Bundesbank announcement and the clarification of its latest money supply targets.

A new issue did emerge late in the day for the European Coal and Steel Community for DM100m over six years via WestLB. The unusual maturity was deemed a good idea given present congestion at the five year maturity and the issue was quoted by the lead manager bid at a discount of 1⅛, compared with total fees of 1⅞.

In the London-based markets, low levels of activity provided the ideal environment for unsubstantiated reports and rumours which concentrated both on parties and predictably upon the scope for any significant change in league table positions between now and the end of the year.

INTERNATIONAL BONDS

The lacklustre tone of the markets has inhibited much new issue activity and positions are little changed since this time last week when it was clear that only a few hundred million dollars separated a particular bunch of houses in the middle of the tables. Nevertheless, IBJ International denied reports that it was planning a substantial issue as part of a bid to ensure that it was in the top 10 of the final rankings.

With investors, both retail and institutional, increasingly disinterested in most types of public issue due to the time of year, sales activity has slumped to the bare minimum in most houses. Even if particular pockets of retail demand have been detected for new paper, any major new issue is still likely to encounter syndication problems. Consequently, underwriters unable to sell new deals now will have to be prepared to carry the paper on their books over Christmas.

While some houses said they continued to see steady buying of dollar-denominated paper at current levels which could set the sector up for something of a rally in the New Year, no new dollar straights are expected given that swap rates are unfavourable and most houses are reluctant to arrange financial engineering for new issues.

Kansallis Banking Group led a FM300m issue for the World Bank, the sixth such issue in the sector targeted at international investors this year. It was trading at a level around its total fees.

In Switzerland, low volumes continued with investors detracted by high short term interest rates and little impact seen from any external factors. Bond prices were largely unchanged with a slightly firmer bias. The recent SFr200m 4¾ per cent issue due 1997 for the Japan Development Bank closed its first day's trading at par, compared with its 101¾ issue price.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
D-MARKS						
ECSC◆	100	5½	100⅜	1994	1¾/1⅛	WestLB
FINNISH MARKKA						
World Bank◆	300	9¾	101	1994	1⅝/1¼	Kansallis Banking Corp.
YEN						
Lavoro Bank O'seas◆	5bn	0	84.16	1993	1⅝/1⅛	Mitsui Trust Int.
Den Danske Bank‡◆	4bn	(a)	100.10	1994	20/10bp	LTCB Int.
US DOLLARS						
Venezuela(b)‡◆	166	1⅛	100	1994	1¼	Chase Investment Bank
Venezuela(b)‡◆	167	1⅛	100	1998		Chase Investment Bank
Venezuela(b)‡◆	167	1⅛	100	2003		Chase Investment Bank

◆Final terms. a) Linked to 5-year yen swap rate. b) 1⅛ over 6-month Libor. 1¼ total fees.‡Floating rate notes.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on December 15

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	†93	93½	0	-0⅜	10.06
A/S Eksportfinans 7¼ 92	150	92⅞	93⅛	-0⅛	-0¼	9.92
B.F.C.E. 7 92	150	92¼	92⅝	-0¼	-0½	9.79
Brit. Tel. Fin. 9⅜ 98	250	97¾	98¼	-0⅛	-0⅝	9.69
Canada 9 96	1000	97½	98	-0⅛	-1⅛	9.43
Canadian Pac 10¾ 93	100	†101½	102½	-0¼	-0½	10.14
C.C.C.E 9¼ 95	300	97¾	98¼	-0⅛	-0⅞	9.68
C.N.C.A 9⅞ 93	150	98⅞	99⅜	0	-0½	6.62
Credit Lyonnais 9 91	200	†98⅝	99⅛	+0⅛	-0½	9.55
Credit National 8¼ 93	200	94½	95	-0⅛	-0⅝	9.76
Credit National 7⅜ 92	100	93⅜	93⅞	0	-0½	9.66
Credit National 7¼ 91	150	†93⅝	94⅛	+0¼	-0½	9.69
Dai-Ichi Kan 9⅝ 92	150	99⅛	99⅝	-0⅛	-0⅜	9.80
Denmark 7⅛ 92	500	92¼	92¾	0	-0⅝	9.94
E.E.C. 7 91	100	93⅛	93⅝	-0⅛	-0¼	9.62
E.E.C. 7¼ 93	250	91⅝	92⅛	-0⅛	-0⅝	9.67
E.E.C. 8 90	350	97	97⅜	-0⅛	-0⅜	9.95
E.I.B. 7⅝ 93	100	91⅝	92⅛	-0¼	-0⅞	9.75
E.I.B. 9⅜ 97	150	98⅛	98½	-0⅜	-1	9.67
Elec. De France 9 98	200	95½	96	-0¼	-1	9.70
Finland 7⅞ 97	200	89¼	89¾	-0⅛	-0⅝	9.80
Finland 7½ 93	200	91½	92⅛	-0¼	-0⅜	9.74
Finn.Exp.Cd. 8½ 92	200	96¼	96¾	0	-0⅜	9.78
Ford Motor Credit 8 91	250	†96	96½	0	-0⅝	9.89
Gen.Elec.Cap.Corp. 9 93	500	96¾	97¼	-0⅛	-0¼	9.79
Gen Elec Credit 10¼ 00	200	†100	100½	0	0	10.19
Gen.Mtrs.Corp. 9⅛ 92	200	98⅛	98½	-0⅛	-0⅜	9.69
Halifax BS 9½ 93	200	†98¼	98¾	0	-0⅝	9.90
IBM Credit Corp. 8⅞ 91	250	†98	98½	-0⅛	-0½	9.58
Italy 9½ 95	1000	98⅝	99⅛	-0⅛	-1⅛	9.72
Italy 9 90	1000	†98¾	99¼	–	-0½	9.59
Lib. Mutual Cap. 9⅛ 93	150	†98¾	99¼	0	-0⅜	9.38
L.T.C.B of Japan 8 91	100	95⅜	95⅞	0	-0½	9.91
L.T.C.B. of Japan 8 97	200	89⅜	89¾	-0⅛	-0⅞	9.94
Metropolis Tokyo 9½ 93	200	99⅜	99⅞	-0⅛	-0⅝	9.61
Morgan Guaranty Tst. 7 90	150	†96¼	96⅞	0	-0⅜	9.97
Nippon Tel.&Tel. 9⅜ 98	250	97¾	98¼	-0⅛	-0⅝	9.69
Norway 8¼ 93	500	96¾	97¼	0	-0½	9.63
Portugal 8¼ 91	300	†96¾	97¼	-0¼	-0¼	9.75
Prudential Crp. 8⅜ 94	125	96¾	97¼	-0⅛	-0⅝	9.44
Qantas Airways 10⅜ 95	140	102¼	102¾	-0⅛	-0⅜	9.82
Saskatchewan 10¾ 92	100	102¼	102¾	0	-0⅞	9.77
State Bk S Aust 9¼ 93	100	97¾	98¼	0	-0⅜	9.84
Sumitomo Bank 9⅝ 92	150	99⅛	99⅝	0	-0½	9.81
Swed Exp Cred 7¼ 91	100	†93⅜	93⅞	0	-0⅜	9.80
Sweden 7 91	250	93½	94	0	-0¼	9.62
Sweden 7 92	250	†92¾	93¼	-0⅛	-0¼	9.66
Sweden 8⅜ 96	200	95⅜	95⅞	+0⅛	-0½	9.60
Sweden 8½ 92	200	†97½	98	-0¼	-0¼	9.22
Victorian Rep 11⅝ 92	150	104⅝	105⅛	-0¼	-0⅜	9.81
World Bank 7 92	300	†92⅞	93⅜	0	-0⅜	9.64
World Bank 9 97	300	96⅜	96¾	-0⅜	-0⅞	9.60
World Bank 9¼ 98	300	97¼	97¾	-0¼	-1	9.65
Yasuda Trust Fin 8½ 93	100	†94⅞	95⅜	0	-0⅝	9.89

Average price change... On day 0 on week -0⅝

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	100⅞	101⅜	-0½	-0¼	5.75
Avis Fin.SVS 5⅞ 92	100	101	101½	0	0	5.43
Bank of Tokyo 5⅜ 93	100	101⅜	101⅞	-0⅛	+0⅛	5.30
Central BK. Turkey 7 92	200	103⅞	104⅜	0	0	5.75
Commerzbank o/s. 5⅜ 93	300	100⅜	100⅞	+0¼	-0⅛	5.20
Degussa Int. 6⅛ 97	200	100⅝	101¼	-0⅛	-0⅞	5.98
E.I.B 5½ 98	150	95¼	95⅞	0	-0¼	6.14
E.I.B 6 97	300	99½	99⅞	+0¼	+0⅛	6.08
E.I.B. 6⅛ 96	300	100¼	100⅞	0	-0⅛	6.01
E.I.B. 6⅛ 97	400	99¾	100⅜	-0⅛	-0⅜	6.12
E.I.B. 6⅞ 95	300	104⅜	105⅛	0	-0⅛	6.01
Euro.Coal& Steel 5⅞ 97	175	98⅛	98⅝	-0⅛	-0⅛	6.13
Eurofima 6¼ 96	100	101	101⅝	0	-0⅜	6.03
Elec De France 5¾ 97	300	98⅛	98⅝	-0⅛	-0¼	5.97
Forsmark Krtg. 5⅛ 93	200	98¼	99	0	+0⅛	5.49
I.A.D.B. 6 97	200	99⅛	99¾	0	+0⅛	6.07
Japan Dev. Bk. 5⅜ 95	300	98⅝	99⅛	+0¼	+0¼	5.56
Japan Finance 5¾ 97	100	96⅞	97⅜	-0½	-0⅜	6.18
Ireland 6½ 97	300	100¾	101¼	0	-0¼	6.33
Malaysia 6¼ 94	150	99⅝	100⅛	0	-0¼	6.24
Nat. West BK. PLC 6 98	300	97	97⅜	0	-0⅛	6.37
N.H.L. Finance 6¼ 95	200	†99½	100	+0¼	+1	6.29
Nippon Telg.&Tel. 6 95	400	101⅞	102⅜	+0⅛	+0⅜	5.95
Oesters. Kontbk. 5 93	300	98¼	99	0	-0⅛	5.38
Portugal 5¼ 92	150	100⅜	101⅛	-0¼	-0½	5.43
Portugal 6⅝ 95	150	102¾	103⅜	+0⅛	-0⅛	6.05
Privatbanken 5¼ 93	150	97¾	98⅜	+0⅛	-0⅝	5.76
Royal Insurance 5½ 92	300	100⅝	101⅛	0	-0⅜	5.19
Soc Cent Nuclear 7¼ 95	150	105½	106⅛	+0⅜	+2	6.12
Turkey 6½ 95	500	97½	98¼	-0¼	0	6.91
Westlb. Finance 5 93	200	†99	99¼	0	0	5.23
World BK. 6¼ 97	600	100½	101	+0⅛	-0¼	6.08

Average price change... On day +0 on week -0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5 96	150	†101	101¼	+0¼	+0¼	4.78
Asfinag 5 03	100	†100½	102	+0¼	+0¼	4.88
B.F.C.E. 4½ 98	200	†98½	98¾	0	-0¼	4.68
B.M.W.Fin.Neth. 5 13	150	†96	97	+0¼	0	5.26
Britannia B/S. 4¼ 94	100	†96½	97½	-0⅜	-0¼	4.88
CIR. Int. W/W 3 93	125	†96¾	97	-0½	-1	3.75
Credit Lyonnais 4¾ 00	100	†97¼	97½	-0⅝	-0⅛	5.05
E.I.B 4⅝ 98	150	†99¾	99¾	-0⅛	0	4.69
Fletcher Chall. 4⅞ 98	150	†97¼	97½	-0¼	-0⅜	5.23
Kobe City 4⅝ 98	150	†97½	98¼	-0¼	-0½	4.90
Leeds Perm. B/S. 4⅛ 93	200	†97¼	97½	+0¼	-0¼	4.80
Malaysia 5¼ 98	100	†97¼	98¼	+0¼	+0¼	5.52
Maxwell Comm.Crp. 5 95	150	†100½	101	0	0	4.86
Nat.Bk. Hungary 5½ 94	75	†98¾	99	-0¼	-0¼	5.73
Nationwide Ang.B/S. 4 93	200	†96¾	97	0	0	4.78
Nippon Telg.&Tel.4⅛ 95	200	†98½	98¾	0	+0⅛	4.49
Oesters.Ktbk. 5 03	75	†99½	100½	-0½	0	5.00
Prov. New Foundland 5 03	150	†100	100¼	0	0	4.99
Thailand 4⅝ 95	200	†95¾	96¼	0	0	5.36
World Bank 5 03	150	†100⅛	101	0	-0½	4.91

Average price change... On day 0 on week -0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅛ 92	55	102⅜	102⅝	0	-0⅛	4.68
Belgium 4⅝ 94	45	98⅜	98⅝	-0⅛	-0⅛	4.94
Canada 4⅜ 92	80	99	99¼	0	-0⅛	4.64
Elec. De France 5⅛ 94	20	101	101½	0	-0¼	4.85
Ireland 5⅛ 93	30	100⅛	100⅝	0	-0⅛	5.02
Norway 5⅛ 95	50	101⅛	101⅜	0	-0¼	4.88
Rep. of Italy 5⅜ 92	150	103⅛	103⅜	-0⅛	-0¼	4.62
Sweden 4⅝ 93	50	99⅜	99⅝	0	-0⅛	4.75
World Bank 5½ 92	50	102⅞	103⅛	-0⅛	-0¼	4.60

Average price change... On day 0 on week -0¼

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. BS. 10¼ 93 £	50	97⅛	97⅝	+0⅜	-0⅛	11.05
Alg. Bk. Ned. 5½ 92 FL	150	98⅜	99⅛	+0⅛	-0¼	5.89
Alg. Bk. Ned. 5¾ 93 FL	200	98⅝	99⅛	+0⅛	0	6.05
Amro Bank 6¼ 92 FL	150	101⅛	101⅝	0	-0½	5.81
Aust. Ind. Dev. 12⅞ 93 AS	100	96	96⅜	+0⅛	+0¼	14.02
Barc. Bk. 10¼ 97 £	250	94¼	94⅝	+0½	0	11.25
Barclays Aus. 13½ 91 AS	100	99¼	99¾	+0⅛	+0¼	13.67
Blue Circle 10⅜ 13 £	150	†96¼	96¾	+0½	-0⅜	11.17
BP Capital 9¼ 93 £	100	93⅞	94⅜	+0⅛	-0⅜	11.51
British Airways 10 98 £	100	91½	92	+0½	-0⅜	11.48
Buhrmann-Tet. 6⅜ 93 FL	100	100¼	100⅝	-0⅛	-0¼	6.27
Comm.Bk.Aust. 12⅝ 93 AS	100	96⅛	96⅝	0	0	13.53
Coop.Ctr.Rabo.6¼ 93 FL	100	100⅛	100½	0	-0⅛	6.17
Coop.Ctr.Rabo.6 92 FL	200	100⅛	100½	0	-0⅛	5.91
Denmark 7¾ 92 ECU	100	†102¾	103¼	0	0	6.64
Dixons 11 95 £	90	†94¾	95¼	+0½	-0½	11.91
Deut. Bk. Aust. 12¾ 95 AS	70	99⅝	100⅛	+0⅛	+0⅜	12.74
Eastman Kodak 13 90 AS	100	96¾	97¼	+0⅛	+0¼	15.00
E.I.B. 7 96 LFr	100	*†98¾	99¼	0	0	7.23
Elec. France 10¼ 95 C$	125	†99⅜	99⅞	0	-0⅛	10.30
Euratom 7⅜ 97 ECU	145	94⅞	95⅜	-0¼	-0⅜	8.21
Fed.Bus.Dv.Bk. 9⅞ 92 C$	75	†96¾	97¼	0	-0⅛	10.79
Ford Cr.Can. 10⅜ 93 C$	100	†99⅞	100⅜	0	-0⅛	10.69
Gillette Can. 9⅝ 93 £	70	†91¾	92½	+0⅜	-0¼	11.88
G.M.A.C. 9⅞ 93 C$	150	†96⅜	96⅞	0	-0⅛	10.72
G.M.A.C Aus. Fin. 14 90 AS	50	100	100½	+0¼	+0⅜	13.65
Halifax BS 10⅝ 97 £	100	94⅜	94⅞	+0⅞	-0¼	11.40
Imp Chem Inds 10 03 £	100	†93½	94	+0⅛	-0⅜	10.86
Inv. Industry Int. 10 93 £	60	94⅞	95⅜	+0⅜	0	11.46
Lloyds Bank 10¼ 98 £	150	92⅞	93⅜	+0½	0	11.48
Montreal Tst. 10¼ 93 C$	100	†99⅛	99⅝	0	-0¼	10.89
Nat. West. Bk. 13⅛ 92 AS	50	†99¼	99¾	+0⅛	+0⅜	13.28
Nationwide BS 10⅛ 93 £	75	94¾	95⅛	+0⅜	-0¼	11.63
Ned. Midd. Bank 6 92 FL	150	100⅛	100⅝	0	-0¼	5.86
New Zealand 9½ 93 £	100	93⅛	93⅝	+0⅜	-0⅜	11.47
New Zealand 7¾ 93 ECU	200	100	100½	-0¼	-0½	7.66
Northern Rock 11⅜ 00	40	†93½	94	+0¼	-0⅝	12.40
Oesters. Ktbk. 13⅝ 94 AS	75	101	101⅜	+0½	+0½	13.28
Phillips Gleoil. 6 93 FL	300	†98¾	99⅛	-0⅜	-1⅝	6.28
Prudential Fin. 9⅜ 07 £	150	†87½	88	+0⅜	-1	10.93
Royal Bk. Scot. 10⅝ 98 £	125	94⅜	94⅞	+0⅜	-0¼	11.63
Saskatchewan 9⅞ 91 C$	150	†97⅞	98⅜	0	-0¼	10.68
Saskatchewan 10¼ 93	200	98⅜	98¾	0	-0¼	10.65
S.D.R. 7¾ 95 ECU	90	†98¾	99¼	-0⅛	-0½	7.95
World Bank 5⅜ 92 FL	100	99⅜	99⅞	-0⅛	0	5.86
World Bank 13⅜ 92 AS	100	†98⅜	98⅞	+0⅛	-0⅝	13.81
Zentrspk. 13¼ 93 AS	75	98	98½	-0⅛	-0¼	13.73

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic.Bld 94 £	.08	99.68	99.73	21/01	10.99
Belgium 91 US	0	100.12	100.23	21/02	9
Britannia 5 93 £	0⅛	99.91	99.96	10/01	12.12
Chase Manhattan Crp.91 US	0¼	99.50	99.67	22/02	8.94
Citicorp 98 US	†0¼	97.70	97.95	28/02	9.62
Credit Foncier 98 US	.063	99.60	99.70	20/04	8.44
EEC 3 92 DM	†0	100.82	101.02	22/02	5.63
Halifax BS 94 £	.1	99.86	99.91	8/02	12.29
Invt. In Industry 94 £	0	99.95	100.06	24/02	11.87
Leeds Perm. B/S. 94 £	0¼	100.01	100.06	13/01	10.44
Midland Bank 01 £	.1	96.25	97.12	11/02	11.41
Milk Mkt. Brd. 5 93 £	0¼	99.97	100.02	30/12	12.06
New Zealand 5 97 £	.07	100.11	100.21	20/02	12.16
New Zealand 5 01 US	0	99.79	99.89	4/02	8.62
State Bk. Nsw. 98 US	.188	100.25	100.35	13/02	8.87
Woolwich Equit. BS. 93 £	0⅛	99.90	99.95	13/01	12.12
Woolwich 5 95 £	0⅛	99.77	99.82	21/02	12.37

Average price change... On day +0.02 on week +0.01

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	101⅛	102⅛	-0⅜	20.60
Amer. Brands 7¾ 02 US	9/87	56.7	105¾	106¾	-0⅜	9.53
Ashikaga Bank 2⅛ 02 US	4/87	967.	148½	149½	-0¼	6.50
Asics 5 92 DM	12/83	472.7	213½	214⅞	-4	6.85
CBS. Inc. 5 02 US	4/87	200.	91⅞	92¾	+0½	9.01
Eng.China Clay 6½ 03 £	9/88	4.8	98¾	99¾	+0¼	6.82
Fujitsu 3 99 US	†5/84	1106.	255	256	-1	-1.24
Land Secs. 6¾ 02 £	6/87	6.72	91	92	0	12.62
MCA Inc 5½ 02 US	9/87	69.62	80⅞	81⅞	-0⅜	24.52
Minolta Camera 2¼ 94 DM	2/86	1004.	97⅜	98½	0	20.19
Mitsubishi Bk. 1¾ 02 US	9/87	3157.	136¼	137¼	-0¼	4.69
Mitsui Trust 2⅜ 01 US	10/86	1903.	140	141	+0½	4.74
Next Plc 5¾ 03 £	11/87	4.3	96⅝	97⅝	+0¼	223.75
Nishi Nppn.Bk. 2⅞ 03 US	4/88	804.	121	122	+0⅝	15.60
Omron Tateisi 2⅛ 02 US	†4/87	1310.	222	223	-0½	-0.08
Primerica 5½ 02 US	4/87	66.75	63¼	64¼	-0¼	54.55
Ranks Hovis 4¼ 03 £	1/88	3.5	107	108	-0¼	9.69
Redland 7¼ 02 £	1/87	5.4	86½	87½	0	19.85
Saatchi&Saatchi 6¾ 03 £	†10/89	4.41	93	94	+0¼	33.01
Texas Inst. 2¾ 02 US	9/87	82.87	72	73	-0¼	59.67
W.R. Grace 6¼ 02 US	9/87	42.12	81¼	82¼	-0¼	34.16

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Brazil eases stance on blocked bank funds

By John Barham in Sao Paulo

THE CENTRAL BANK of Brazil has introduced new rules that could affect close to $2bn worth of business in 1989.

Under the September foreign debt restructuring, foreign banks will be allowed to relend, to local borrowers of their choice in local currency, a minimum of $1.6bn of their funds blocked at the central bank. The programme holds relending to $150m a month, starting in January.

The new rules state that banks will have to leave one quarter of the money on deposit with the central bank. The bank said it was unhappy with the relending programme's inflationary impact on the money supply. Inflation is now accelerating by close to 30 per cent a month.

It added that some of the funds might be used to transfer capital abroad via the currency black market.

Bankers are still unsure how much the changes will affect relending. A European banker based in Sao Paulo said: "This surprised the market. It makes debt-to-debt products like relending less attractive, because it increases the cost of funds to the borrower."

A Sao Paulo merchant banker said: "Relending enables companies to exchange old dollar-denominated debt for new debt at a far better rate of exchange.

Relending provides companies with a cheap, long-term source of local currency finance. Banks sell their blocked central bank deposits – these constitute maturing foreign currency loans – to companies for the same 60 per cent discount available on the debt-to-equity conversion market.

While most companies are likely to use the funds to expand their business in Brazil, a fair amount of the money will be remitted abroad via the black market.

The currency black market has been extremely active this year, quoting rates close to 60 per cent over the official exchange rate. Demand for dollars has been very heavy because speculators used them to buy discounted debt and collect the debt in Brazil for a quick 60 per cent profit.

Further pressure on the black market will encourage export under-invoicing, already said to be running at record levels. Under-invoicing of exports, is a principal source of black market dollars and reduces Brazil's hard currency.

Scrimgeour to reduce roles of Japanese unit

CITICORP Scrimgeour Vickers, the London-based securities operation of the US bank, is to shed the equity research and institutional sales role of its Japan unit, *AP-DJ reports* from Tokyo.

The firm's institutional sales team working with non-Japanese clients will be disbanded. Research analysts following individual Japanese companies "will no longer be needed in that capacity," an official said. Economics research, in which Citicorp Vickers was highly regarded in Tokyo, would also be discontinued.

The change would not result in lay-offs. The unit would focus instead on marketing its "financial engineering" skills where it believes it has a competitive advantage. These include options and hedging techniques for Japanese investors.

The moves reflect a continuing restructuring of Citicorp Scrimgeour Vickers operations.

Oslo curbs on foreign capital to be reduced

By Karen Fossli in Oslo

A PROPOSAL to ease restrictions on foreign ownership in industrial companies, as a means to bring in fresh capital which has been difficult to raise in Norway's lacklustre stock market, received its first reading in the lower house of Parliament yesterday. It is expected to become law from January 1.

The proposal, put forward in mid-September by the Ministry of Industry, allows foreign ownership of voting shares to increase from 20 to 33.3 per cent. It also permits a rise in the size of a single foreign voting share stake from 10 to 20 per cent and mixed Norwegian and foreign board members, providing the chairman and the majority of members are Norwegian.

Although the approval came as no surprise, it was welcomed by Norway's ailing industrial companies which have found it difficult to obtain fresh capital to boost equity to debt ratios.

INTERNATIONAL CAPITAL MARKETS

Rate fears dent US Treasuries

By Janet Bush in New York and Dominique Jackson and Katharine Campbell in London

US TREASURY bonds came under pressure yesterday, on concern that the US will move to raise the discount rate in reaction to interest rate rises overseas.

At midsession, bonds were quoted as much as ¾ point lower at the long end of the yield curve. The Treasury's long bond slipped ½ point for a yield of 9.07 per cent, which compared with the yield on the 8.875 per cent 1998 short-dated issue of 9.17 per cent.

News yesterday that the Bundesbank had decided to raise its Lombard rate to 5.5 per cent from 5.0 per cent had been widely anticipated, which limited losses in the Treasury market.

The dollar dropped sharply in an initial response to the German rate rise but then rebounded strongly on speculation that the US would match this with a rise in the discount rate.

The bond market was yesterday closely watching the behaviour of the Fed funds rate to see whether any policy changes had been decided on at this week's Federal Open Market Committee meeting.

Funds opened at a firm 8¾ per cent, but it is too soon to tell whether this is the result of the Fed squeezing funds or whether banks were simply anticipating firmer money.

However, some analysts saw the lack of intervention in the money market yesterday despite the firmness of the funds rate as a sign that the central bank may already have initiated a tightening move. Fed funds edged up to 8⅞ per cent at midsession.

IN WEST Germany, the government bond market opened quietly and cautiously ahead of the Bundesbank council meeting. Most bond prices were initially unchanged although mortgage bonds were slightly easier. At the Stock Exchange fixing, bond prices firmed between 5 to 10 basis points with selected issues going up as much as 20 basis points.

GOVERNMENT BONDS

The Bundesbank's move to raise the Lombard emergency funding rate to 5½ per cent from 5 per cent was widely anticipated and had little immediate impact on prices. However, dealers seemed to show more interest in the rest of the Bundesbank's news. The money supply target for the next four quarters was set at a rate around 5 per cent.

This is far more precise than previous targets which have usually been of a broader range such as 3 to 6 per cent. The Bundesbank also announced an additional securities repurchase tender at a fixed rate of 5 per cent. The last such fixed rate volume tender was in early October at the markedly lower level of 4¼ per cent. These announcements appeared to encourage sentiment and bond prices firmed by a further 15 to 25 basis points.

UK GOVERNMENT bonds were cheered by the announcement yesterday morning of a slight fall in average earnings, and a downward revision in current account quarterly figures, but for once the main preoccupation of the market was not a domestic one.

When West Germany's Lombard rate was raised in line with expectations, traders breathed a sigh of relief that the Bundesbank's stance had not been more aggressive, and the gilts market surged ahead, as sterling strengthened roughly two pfennigs, from a weak point of DM3.177. Gilts ended almost a full point ahead on the day, boosted by rumours in the afternoon that a big Japanese buyer was in the market.

THE DANISH bond market rallied strongly yesterday afternoon, after a temporary weakness earlier. As soon as the anticipated Lombard rate rise was out of the way, traders saw this as a signal to continue pushing prices upwards.

The benchmark 9 per cent 2006 mortgage bond began the day at 97.00, and after dropping a half point, surged on to 97.70, to yield 9.7 per cent. Lack of supply and strong domestic demand both at home and off shore have ensured that Danish bonds have outperformed the German market in the last three months.

THE FRENCH central bank took the market by surprise when it chose Wednesday evening to announce a rise in key rates. Traders were particularly surprised that the five to 10 day repurchase rate had been upped a full ¾ point to 8.5 per cent. Prices opened in France down 50 points in the shorter end, only 40 points lower at the longer end, after a similar markdown in Tokyo. But domestic buyers took the drop as a signal to buy in at those levels, and the benchmark bond closed 5 points up on the day.

WHILE EMS central banks were raising rates around Europe this week, the Spanish central bank was not to be left out, although it had its own reasons. On Tuesday the authorities raised the key overnight rate at which it provides assistance to the money markets a full point to 12.4 per cent.

Short term rates had been rising, and the move was thus entirely expected. Inflation has been running ahead of government expectations, but traders in the government bond market were generally optimistic that no further central bank tightening was on the cards.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	108-00	+25/32	10.84	10.93	10.37
		8.750	9/97	91-18	+27/32	10.23	10.21	9.84
		9.000	10/08	97-02	+25/32	9.33	9.36	9.10
US TREASURY		8.875	11/98	98-04	+1/32	9.16	9.01	8.02
		9.000	11/18	99-12	+4/32	9.06	8.97	9.09
JAPAN	No 105	5.000	12/97	103.0101	-0.189	4.53	4.47	4.57
	No 2	5.700	3/07	109.0786	-0.428	4.77	4.73	4.90
GERMANY		6.750	8/98	101.3750	+0.300	6.57	6.52	6.37
FRANCE	BTAN	8.000	10/93	97.1901	-0.262	8.72	8.51	8.56
	OAT	9.500	5/98	104.3500	-0.055	8.78	8.67	8.85
CANADA		10.250	12/98	100.3750	+0.250	10.19	10.01	10.11
NETHERLANDS		6.7500	10/98	101.5750	+0.250	6.60	6.58	6.46
AUSTRALIA		12.500	1/98	98.7477	-0.294	12.54	12.42	11.92

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday December 15 1988 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1988 to date	Wed Dec 14 Index No.	Tue Dec 13 Index No.	Mon Dec 12 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (208)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 Building Materials (28)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Contracting, Construction (39)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Electricals (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 Electronics (30)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Mechanical Engineering (54)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 Metals and Metal Forming (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Motors (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Other Industrial Materials (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP (188)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers (21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing (21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health and Household (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Leisure (31)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31 Packaging & Paper (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Publishing & Printing (19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores (34)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 OTHER GROUPS (92)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Agencies (19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Conglomerates (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Shipping and Transport (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47 Telephone Networks (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Miscellaneous (25)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (488)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oil & Gas (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX (500)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (124)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance (Brokers) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (52)	1206.36	+1.0	5.89	2.85	21.70	25.65	1194.74	1208.05	1200.01	958.34
70 Other Financial (31)	341.16	+0.2	10.32	5.77	12.11	15.12	340.50	342.84	344.22	367.56
71 Investment Trusts (76)	901.80	+0.2	–	3.34	–	20.26	899.43	900.58	902.92	786.58
81 Mining Finance (2)	546.71	+2.0	11.18	3.83	9.97	15.67	535.80	532.84	548.65	427.26
91 Overseas Traders (8)	1248.53	-0.1	9.40	5.07	12.34	44.98	1249.43	1253.44	1268.71	928.78
99 ALL-SHARE INDEX (710)	908.38	+0.4	–	4.81	–	30.85	904.47	904.36	901.93	861.05

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Dec 14	Dec 13	Dec 12	Dec 9	Dec 8	Year ago
FT-SE 100 SHARE INDEX ♦	1763.2	+7.1	1764.4	1749.5	1756.1	1752.6	1747.9	1758.3	1757.9	1786.2

FIXED INTEREST

	PRICE INDICES	Thu Dec 15	Day's change %	Wed Dec 14	xd adj. today	xd adj. 1988 to date
	British Government					
1	5 years	118.13	+0.40	117.66	–	11.18
2	5-15 years	133.98	+0.74	133.20	0.21	12.47
3	Over 15 years	145.36	+0.70	144.35	–	13.86
4	Irredeemables	167.61	+0.01	167.60	–	13.62
5	All stocks	131.57	+0.62	130.87	0.11	12.31
	Index-Linked					
6	5 years	130.03	......	130.02	–	1.81
7	Over 5 years	126.42	+0.05	126.36	–	3.26
8	All stocks	126.51	+0.04	126.45	–	3.13
9	Debentures & Loans	116.65	-0.13	116.81	–	11.62
10	Preference	86.10	-0.11	86.19	–	6.41

	AVERAGE GROSS REDEMPTION YIELDS		Thu Dec 15	Wed Dec 14	Year ago (approx.)
	British Government				
1	Low	5 years	10.37	10.54	8.96
2	Coupons	15 years	9.59	9.70	9.64
3		25 years	9.17	9.22	9.46
4	Medium	5 years	10.73	10.94	9.63
5	Coupons	15 years	9.82	9.91	9.84
6		25 years	9.39	9.42	9.68
7	High	5 years	10.89	11.06	9.72
8	Coupons	15 years	9.96	10.04	9.98
9		25 years	9.41	9.44	9.72
10	Irredeemables		9.06	9.06	9.39
	Index-Linked				
11	Inflation rate 5%	5yrs.	3.70	3.69	3.10
12	Inflation rate 5%	Over 5 yrs.	3.77	3.77	3.96
13	Inflation rate 10%	5 yrs.	2.58	2.56	3.47
14	Inflation rate 10%	Over 5 yrs.	3.61	3.61	4.03
15	Debs &	5 years	11.43	11.42	10.91
16	Loans	15 years	11.15	11.14	11.02
17		25 years	10.88	10.86	11.08
18	Preference		10.40	10.39	10.62

♦Opening index 1749.5; 10 am 1756.4; 11 am 1757.7; Noon 1761.4; 1 pm 1764.3; 2 pm 1762.5; 3 pm 1762.5; 4 pm 1761.3; 4.05 pm 1761.3
(a) 1.02pm (b) 9.00am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	80	16	15
Corporations, Dominion and Foreign Bonds	18	2	31
Industrials	391	320	870
Financial and Properties	138	108	423
Oils	20	26	59
Plantations	0	0	13
Mines	42	21	126
Others	37	105	110
Totals	726	598	1,647

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. date	1988 High	1988 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
58	F.P.	-	65	58	Apollo Metals 10p	64		R2.0	2.9	4.2	11.0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price	Amount Paid	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price p	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5	F.P.	10/1	15½	6	SelecTV 1p	12½	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ¶ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. ‡ Unlisted securities market. ♦ Official London listing. □ Including warrants entitlement. * Third Market.

TRADITIONAL OPTIONS

- First Dealings Dec 5
- Last Dealings Dec 16
- Last Declarations Mar 9
- For settlement Mar 20

For rate indications see end of London Share Service

Calls in Tarmac, Unitd Scientific, Manders, Markheath, Mt Charlotte, Charter Cons, Eagle Trst, Sears, Oliver Res, Blue Arrow, Mountleigh, Thorpac, Stand & Chart, Owners Abroad, Belhaven, Holmes Protect, Ex Co Louisiana, Lawrence (W), Coats Viyella, FR Group. Put Unitd Scientific. P/C in Ratners, Eagle Trst.

LONDON TRADED OPTIONS

Option		CALLS Jan	Apr	Jul	PUTS Jan	Apr	Jul
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		CALLS Feb	May	Aug	PUTS Feb	May	Aug
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

December 15 Total Contracts 32,542 Calls 19,012 Puts 13,530
FT-SE Index Calls 1650 Puts 6022
*Underlying security price.

Westland take-off aborted again

By Clare Pearson

LONG-RUNNING delays in a big export contract again hit Westland, helicopter company. In the year to September 30, pre-tax profits came out at £17.4m against £18.4m in 1986-87.

Over the last few weeks, however, deliveries of Sea King helicopters to the customer – India, although this never has officially been announced – have finally commenced. The contract dates from before Westland's reconstruction which sparked a UK political crisis three years ago.

Sir John Cuckney, chairman, said he was pleased that the year had seen a sharp improvement in the order book as well as the appearance in October of GKN, engineering group, as a significant shareholder.

GKN bought a 22.02 per cent stake and said it would eventually like to gain a controlling interest. It acquired shares from Hanson, UK industrial group, and Fiat, the Italian engineering concern which acquired 7.97 per cent as part of Westland's controversial rescue in 1986.

Additional losses of £25m on the Sea King contract, against £30m in the previous year, were provided for within a net £13.2m (£16m) exceptional item.

Adverse effects of the delays were reflected in turnover of £358.1 (£381.6m) and interest charges steeply up at £7.8m (£1.2m).

Sir John said resolution of the problem would result in a progressive reduction over 1989 of Westland's relatively high inventory and borrowing levels although profit margins would be diluted as a result of these non-profit earning deliveries.

Orders received during the year totalled £413.1m, up from £182.9m. Included was an order for 12 helicopters from South Korea, which Sir John Treacher, joint deputy chairman, said was an important breakthrough for the future. Longer-term prospects were also boosted during the period by Britain's arms sale agreement in July with Saudi Arabia.

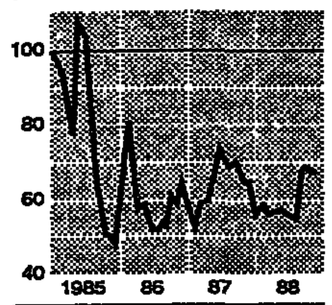
Before interest, profits rose to £38.4m (£35.6m). Earnings per share, after exceptionals, came out at 6.6p (4.9p). The recommended final dividend is 2.25p, making an unchanged 3.5p for the year.

● COMMENT

The numbers in these results are almost irrelevant compared with the really important thing that happened to Westland during the year, which was that GKN stepped in. This allayed fears that United Technologies of the US, which partnered Fiat in the dramatic rescue battle for the company, would increase its stake. It also gave Westland a thoroughly British minority shareholder, committed to its development, and one which might indeed eventually absorb it. As well as seeing its ownership secured, Westland saw an improvement in its order book which has eased concerns about the exceedingly lean few years it faces until it begins to see a return on its new EH101 naval helicopter. This year's pre-tax profits are likely to be about £5m worse than last time, with earnings per share helped by the absence of a big exceptional charge. The prospective p/e is about 11, but the main thing is that disaster has been averted.

Westland

Share price relative to the FT-A All-Share Index



Water pension fund holds stakes

By Andrew Hill

THE WATER Authorities Superannuation Fund has taken small stakes in the UK's private water sector through a nominee company.

It is thought that the fund, which provides pension benefits to water authority employees, is the beneficial owner of stakes held by Bank of Scotland Nominees in at least four water companies.

The High Court is due to rule next Wednesday on the legality of stake-building in the companies by individual authorities. The result of the judicial review – initiated by the Water Companies Association, which represents the UK's 28 quoted water companies – is unlikely to affect the WASF holdings.

On Monday, Mid-Kent Water Company revealed that Bank of Scotland Nominees had acquired 13.6 per cent of one class of its voting stock – equivalent to about 7 per cent of the total voting capital. The nominee company has also recently increased its stake in Bristol Waterworks Company to 5.4 per cent, and holds about 3 per cent of Sunderland & South Shields, and 1 per cent of South Staffordshire.

WASF said yesterday that the whole water issue was now so sensitive that it preferred not to comment. Primary responsibility for managing the fund's assets is delegated to a committee which includes chairmen of the 10 water authorities and special advisers.

The 10 authorities have become increasingly frustrated watching large investors, notably France's three biggest water suppliers, increase their stakes in UK water companies. Two public authorities – Northumbrian and Southern – have also bought shares, despite the legal question mark over the action.

● SAUR Water Services, a subsidiary of Bouygues, French construction and service company, has bought 11 per cent of Wrexham and East Denbighshire Water Company, bringing to 17 the number of statutory water companies in which French water suppliers have large holdings.

LMS slips to £7.23m at half-time

LONDON MERCHANT Securities, a subsidiary of Westpool Investment Trust, reported a slight decrease in interim taxable profits from £7.23m to £7.02m. However, the company expects to achieve good results for the year.

After tax of £2.16m (£2.35m) earnings per share were 2.49p (2.33p) and the interim dividend has been maintained at 0.8p. The profits were earned on net rental income of £9.53m (£8.8m), plus trading activities of £2.42m (£2.1m).

Lord Rayne, chairman, said the increase in rental income had been achieved despite the loss of income during the development of a property in Park Lane, London. Property trading profits were lower, but sales agreed after the end of the period would enhance the contribution for the year.

He added that the profits of First Leisure, in which a 28.45 per cent stake is held, continued to prosper. Profits of Carless, in which LMS has 27.19 per cent, were unchanged.

Plessey asks court to await European Commission ruling

By Raymond Hughes, Law Courts Correspondent

The High Court was asked yesterday to "hold the ring" while the European Commission decides whether the joint venture bid by the General Electric Company and Siemens of West Germany for the Plessey electronics group is permissible under European law.

Plessey, which is asking the court for a temporary injunction stopping the hostile £1.7bn bid going ahead, argued that it was the result of an "unlawful marriage" between GEC and Siemens and would breach Article 85(1) of the Treaty of Rome by distorting competition within the European Community.

GEC and Siemens are fighting the grant of an injunction, arguing that it would probably destroy the bid.

Their counsel, Mr Jonathan Sumption, QC, said that their proposals were not "a sinister conspiracy to destroy a competing business" but "a serious attempt to create an association of independent companies on a European and not simply at national level."

The Commission announced on Wednesday that it was launching an investigation into Plessey's complaint that the bid broke Community competition rules. The court was told that Plessey intends asking the Commission for "interim measures" to prevent the offer proceeding pending the Commission's decision.

It is believed to be the first time an attempt has been made to use EC competition law to thwart a takeover bid.

Mr Christopher Bathurst, QC, for Plessey, told Mr Justice Morritt: "The essence of the matter is the restraint of an unlawful combination. It is not a question of seeking to enforce the policy of regulation contained in the Takeover Code.

"We are not asking the court to decide finally on matters which are appropriate to be decided by the Commission. What we are saying is, hold the ring while these matters are decided – whereas GEC and Siemens are asking you to assume, either that Article 85(1) does not apply, or that they will obtain from the Commission exemption under Article 85(3)."

Mr Bathurst said that 85(1) regulated unlawful agreements which might "affect trade between member states" and the object or effect of which was "to prevent, restrict or distort competition within the common market."

Article 85(2) said that such agreements should be automatically void.

Article 85(3) stated that 85(1) might be declared inapplicable if certain conditions were fulfilled. One condition was if the agreement contributed to the improvement of the production or distribution of goods or to the promotion of technical or economic progress, and which did not "impose on the undertakings concerned restrictions which are not indispensible to the achievement" of those aims.

Mr Bathurst said it was not enough to show that an agreement would to some extent contribute to those aims, unless it could be shown that the restrictions it imposed were the minimum indispensible to the achievement of the aims.

"We say we have a good arguable case that the agreement between GEC and Siemens falls within 85(1) in two respects: because it is an agreement jointly to seek to acquire Plessey shares, with an express obligation not to bid individually for them; and as to the way in which the joint venture company and Plessey will be operated following a takeover."

Mr Bathurst said that the joint venture agreement was also a plain breach of an undertaking given by GEC to the Trade and Industry Secretary in June last year not to acquire more than 15 per cent of Plessey. It was therefore unlawful conduct giving Plessey had a right of legal action under English law also.

He said that by going ahead with their offer before getting clearance GEC and Siemens had "dug themselves into this hole" and could not ask the court to attach weight to the ill consequences of their illegal conduct.

He denied that they would be significantly prejudiced by an injunction which, if the Commission decided that the bid should go ahead, would be ended.

Whereas, he argued, if no injunction were granted and the bid went ahead and was successful "Plessey will be irreparably harmed by an unlawful act."

Mr Sumption said that Plessey was attempting to deprive its shareholders of the right to choose whether to accept the GEC-Siemens offer.

He said that the bid was a natural response to the enormously costly and growing burden of research and development which had meant that the only companies able to compete in the market were those that were financially strong and able to trade on an international scale.

Mr Sumption described as "strange" Plessey's suggestion that its takeover by GEC-Siemens would distort competition.

"The customers of these companies are not weak and bulliable consumers. They are large public utilities, governments and major companies. We are talking about armaments, radar, traffic control systems and things of that sort."

The hearing continues today.

Weaker spark to Electra assets

Fully diluted net asset value share of the Electra Investment Trust declined to 281.53p for the year to September 30, a decrease of 8.15 per cent on the figure of 306.52p reported 12 months earlier.

Attributable profits for the year to September 30 amounted to £6.73m, a downturn of 12.12 per cent compared with annualised profits for the previous period.

A final dividend of 2.4p makes a total of 4.8p, an increase of 7.46 per cent on an annualised basis over the total dividend of 6.7p paid for the previous 18 months.

Low take-up in Mowat's open offer

Shareholders in Mowat Group, USM-quoted property company, applied for only 0.01 per cent of the 18.1m shares available in an open offer launched to fund the £17m acquisition of Joseph Webb, a holiday camp operator and property concern.

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UK COMPANY NEWS

Assoc Paper restrained to 10% profits growth

By Ray Bashford

A SHARP fall in returns from one of Associated Paper Industries' three principal operating areas restrained growth in pre-tax profits to 10.2 per cent during the year to October 1, compared with the previous 53 weeks.

During a year in which Mr Charles Rawlinson, the chairman, said the company encountered a "number of challenges", pre-tax profits were £7.5m (£6.8m) while turnover eased to £87.4m (£88.2m).

Competitive pressures in the world stamping foils business reduced API's trading profits in the the division from £3m to £1.8m. Turnover was down to £21.7m (£24m).

The problems were most accute in the US foil stamping business due to a decline in demand in some areas of the market. Investments have been made in the US and UK to increase efficiencies and an international marketing organisation has been established to co-ordinate efforts.

The papermaking and paper and film converting division lifted trading profits to £6.3m (£5.7m), despite a machine break down at the company's paper mill which will cut production. That mill has returned to full production and the company was fully insured, the chairman said.

The air conditioning, purification and distribution business returned a trading profit of £917,000 (£383,000) on a turnover of £5.4m (£4.4m).

The company is paying a total dividend of 8.8p (8p), following a final of 6.05p (5.5P). Earnings per share were 25.8p (22.6p).

Exports from the UK continued to increase and represented 31 per cent of group sales but the chairman said that the continued growth in sterling was "particularly critical" for the company.

Against a background of the current economic climate and competitive pressures in the US, Mr Rawlinson expressed caution about the outlook for the short term.

"Nevertheless, I am confident that the investments that we have made and are planning will keep us strongly competitive in the years ahead," he said.

● COMMENT

The note of caution sounded by API was echoed by City analysts. However, there is agreement that the conservative approach to growth which has left the company at the quality end of its markets will insulate it from the worst of any economic difficulties. The course of sterling will have a strong influence on results and appears set to remain a restraining force on profits. The medicine administered to the stamping foils business will ensure a substantial improvement over the latest results. But the tax charge is set to rise and this could partially negate the effect of this recovery. Profits this year are on course for £8m and a prospective p/e of 10 on an unchanged share price of 255p is in line with the sector.

RTZ to give assets sold by BP to CRA

By Kenneth Gooding, Mining Correspondent

CRA, Australian mining group, is widely expected to become the ultimate owner of any Australian mineral assets sold by British Petroleum to the RTZ Corporation, UK natural resources group.

Most of RTZ's interests in the sector are via its 49 per cent shareholding in CRA which in turn has stakes in Bougainville Copper, Hammersley, the iron ore concern, Comalco aluminium and Pasminco, the lead-zinc company.

RTZ and BP announced they were in discussions about the deal, thought to be worth more than $3.5bn (£1.91bn), on Wednesday. Australian analysts expect that, if the deal goes through, RTZ will transfer its 49 shareholding in the giant Olympic Dam copper-gold-uranium mine in South Australia to CRA along with its 80 per cent stake in the Lihir Island gold project in Papua New Guinea.

Mr Keith Docking, director of research with Rivkin and Co, Australian stockbroker, suggested yesterday that the transfer price for these assets could be up to $1bn.

He also said it was possible that BP's Norzinc refinery in Norway might be transferred to CRA-Pasminco.

Mr Docking described the potential transfer of assets as "fundamentally positive to very positive" for CRA but in the short term its share price might suffer from the uncertainties associated with the way CRA might fund the deal.

He pointed out the impact on Western Mining Corporation, the majority shareholder in Olympic Dam, should also be positive because the deal would highlight the true value of the project.

BP Minerals provided funding for the A$750m (£349.57m) Olympic Dam project to earn its shareholding from Western Mining. But BP Minerals does not collect any revenue until the mine reaches production of 150,000 tonnes of copper and 4,000 tonnes of uranium a year, still some years off.

Mr Hugh Morgan, Western Mining's managing director, told Reuters yesterday that the company would expect any new owner of the BP Minerals stake in Olympic Dam to honour the financing commitments.

"BP has a very considerable commitment," he pointed out. If that committment to finance was not maintained, BP Minerals or the new owner would forfeit the 49 per cent shareholding.

Micrelec 31% ahead at £0.6m

Micrelec Group raised pre-tax profits by 32 per cent from £481,000 to £634,000 in the six months to September 30. Turnover advanced 82 per cent from £2.68m to £4.88m. Some £900,000 of this came from the inclusion for the first time of Lectronic Specialists, full control of which was assumed at the end of March.

An interim dividend has been introduced at 1p per 5p ordinary share.

The USM-quoted company makes and services electronic automation equipment, mainly for petrol stations. It also announced yesterday the appointment of Dr Tim Cook as managing director Micrelec PLC. To ensure continuity Mr David Willis has been appointed chairman of Micrelec PLC. He succeeds Mr Peter Beck, who remains chairman of Micrelec Group.

Wentworth ahead

Profits before tax of the Wentworth International Group expanded from £105,169 to £140,108 for the half-year to September 30. Turnover pushed ahead by nearly £1m to £3.46m.

Earnings totalled 1.8p (1.82p) per 10p share after tax of £91,070 (£68,360) and preference dividends. The directors expect to recommend a raised dividend for the full year of 1.9p (1.75p). The group, traded on the USM, is engaged in the extrusion of polythene film and polythene bags.

Authority Invts

Authority Investments, investment holding company, reported pre-tax profits up from £1.39m to £1.68m in the six months to October 31 1988. From basic earnings per 20p share of 13.15p, against 12.59p, the interim dividend has been increased from 2.5p to 3.25p.

Turnover was £4.95m (£10.7m) for operating profits of £3.07m (£3.14m). The pre-tax figure was struck after lower net interest charges of £738,000 (£1.2m).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Assoc Paper Inds ......fin	6.05	Feb 10	5.5	8.8	8
Authority Invs ......int	3.25	Jan 27	2.5	-	6
Builder Group ......int	1.2	Jan 31	-	-	-
CH Industrials ......int	1.05†‡	Feb 17	0.75	-	3.75
Dwyer ......fin	2†	-	-	3	1
Electra Inv Tst ......fin	2.4	Jan 31	2.3	4.8	6.7☆
Firth (GM) ......int	2.25	Apr 6	0.5	-	1.9
Lee (Arthur) ......fin	3†	Feb 24	2.2	4.25	3.2
London Merch Sec ......int	0.8	Feb 4	0.8	-	3♠
Micrelec § ......int	1	Feb 8	-	-	-
Stakis ......fin	1.33†	Apr 12	1.14	1.95	1.68
Viking Packaging ......fin	2.6	Feb 3	2.34	3.9	3.5
Wat'rn Selection ......fin	2	Mar 8	1.9	3.7	3.4
Westland Group ......fin	2.25	Feb 9	2.25	3.5	3.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ♠Scrip option on final.☆ For 18 months.‡ To reduce disparity.

BOARD MEETINGS

TODAY

Interims- Campbell & Armstrong, Fornmaster, Reliance Security, Security Archives, Tinsley Robor, Wellman.

Finals- Bridport-Gundry, Brunner Inv Trust, Ivory & Sime, M & G Group.

FUTURE DATES

Interims-

Anchor Intl	Dec. 28
Harris (P)	Dec. 20
Jones Stroud	Jan. 12
Stead & Simpson	Jan. 10
Final-	
Cralon Lodge & Knight	Dec. 19

High	Low	Company	Price	Change	Gross div (p)	Yield %	P/E
288	185	Ass. Brit. Ind. Ordinary	288	+2	10.3	3.6	7.8
288	186	Ass. Brit. Ind. Culs	288	+2	10.0	3.5	-
42	25	Armitage and Rhodes	34	0	-	-	-
57	30	BBB Design group (USM)	30	0	2.1	6.8	4.8
173	155	Bardon Group	168xd	0	2.7	1.6	28.7
117	100	Bardon Group Conv. Pref.	117	0	6.7	5.7	-
148	103	Bray Technologies	107	0	5.2	4.9	8.6
114	100	Bremhill Conv. Pref	110	0	11.0	10.0	-
287	246	CCL Group Ordinary	284xd	0	12.3	4.3	4.3
170	124	CCL Group 11% Conv.Pref	169	0	14.7	8.7	
154	129	Carbo Plc (SE)	138	0	6.1	4.4	12.0
113	100	Carbo 7.5% Pref (SE)	108xd	0	10.3	9.5	
353	147	George Blair	353	0	12.0	3.4	7.8
119	60	Isis Group	118	0			15.5
118	87	Jackson Group (SE)	100xd	+2	3.3	3.3	11.0
287	245	Multihouse NV (AmstSE)	260	0	-	-	-
119	40	Robert Jenkins	107	0	7.5	7.0	4.0
430	124	Scruttons	408	0	8.0	2.0	37.1
288	194	Torday & Carlisle	277	-1	7.7	2.8	13.4
100	100	Torday & Carlisle Conv Pref	100	0	10.7	10.7	-
98	56	Trevian Holdings (USM)	86xd	0	2.7	3.2	9.2
113	100	Unistrut Europe Conv Pref	108	0	8.0	7.4	
355	350	Veterinary Drug Co. Plc	354	+1	22.0	6.2	9.4
340	203	W.S Yeates	340	0	16.2	4.8	65.4

UK COMPANY NEWS

Stakis improves 28% to £24.5m

By David Waller

STAKIS, hotels, leisure, property and healthcare group, yesterday reported a 28 per cent increase in pre-tax profits to £24.5m in the year to October 2 1988.

Turnover grew from £114.5m to £124.2m, while earnings per share advanced by 24 per cent to 7.53p.

Mr Andros Stakis, managing director, said the group was now geared up for expansion in every division. Capital expenditure will absorb some £50m this year and will be spent largely on developing chains of hotels and nursing homes.

A split of profits showed: hotels and inns at £17.21m (£11.62m); casinos at £5.77m (£4.45m); property £3.37m (£2.1m). The healthcare division made a maiden contribution of £307,000.

The company's retreat from the financial services business was reflected in an extraordinary charge of £478,000. Stakis either sold or closed down all its businesses in this area at around the end of the financial year.

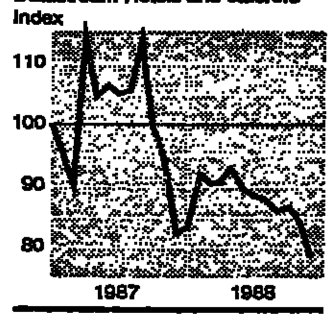
Total operating profits rose from £20.49m to £26.65m. Included in that figure is a profit of £1.5m on the sale of properties within the hotel portfolio.

The new hotels will have 140-bedrooms apiece, and will be designed to appeal to the business traveller and the weekend leisure market. With rooms priced at £70 per person per night, they are expected to compete with Holiday Inn and Trusthouse Forte Posthouse chain; five sites have been acquired to date and the plan is to buy another five by the end of the year.

Where nursing homes are concerned, the plan is to build 1,000 rooms by the end of the financial year. Pitched at the top end of the retirement market, these will be let out at £225-£250 per week.

Stakis

Share price relative to the Datastream Hotels and caterers Index



The interest charge rose from £778,000 to £1.02m. The directors recommended a final dividend of 1.33p (1.14p) making a total for the year of 1.95p (1.68p), an increase of 17 per cent.

● COMMENT

Earnings per share at Stakis have grown at a compound rate of 20 per cent over the past five years, and dividends at more than 22 per cent. At the top end of expectations, yesterday's figures from the Scottish company were as impressive as usual, and the shares duly rose 2p to 89p. Strong growth in the hotels division reflected the strength of the market outside London, and the improvement in the performance of the casinos showed the wisdom of catering to the provincial punter rather than the high-roller. Traditionally perceived as over-cautious, Stakis's plan to spend £50m in the current year and its plans to expand its hotels and nursing-home business by building its own properties can only be welcomed. Assuming a pre-tax profit of £27m (before hotel property profits) in the present year, the shares are on a multiple of 10.7 – a premium to the market which reflects the prospect of above average earnings growth and the outside possibility of a bid.

Slough and Bredero in joint venture

By Paul Cheeseright, Property Correspondent

SLOUGH ESTATES and Bredero Properties have mounted their first joint venture since Slough became the controlling shareholder in Bredero last year.

Yesterday they announced the purchase of the leasehold interest in the Lewisham Centre, a retail and office complex in south east London, from Grovenor Developments and the ICI Pension Fund.

No purchase price was disclosed but was thought to be about £38m.

The acquisition was made by Slough which will look after the investment management.

Bredero will undertake refurbishment of retail space of 350,000 sq ft and manage the centre. Given its stake in Bredero, Slough has 75 per cent of the venture.

Finance for the joint venture has been provided by a syndicate led by Barclays on a 7 years limited recourse basis.

Collins repeats NI rejection

By Fiona Thompson

WILLIAM COLLINS, fighting a £294m hostile bid from Rupert Murdoch's News International, yesterday sent a further circular to its shareholders urging them to reject the offer.

"Collins is a valuable company with an excellent future," Mr Ian Chapman, chairman of Collins, said yesterday. "Our job is to stop News International from pressuring our shareholders into believing otherwise."

The News International offer – 640p for ordinary shares and 535p for the non-voting "A" shares – stood at a significant discount to the market price of 773p and 588p respectively, said Collins.

The company's exceptional record, strong management and high levels of investment for the future merited a premium rating.

In an effort to justify the low offers, News International had tried to attack Collins' management but had been forced to retract unsubstantiated statements, said Collins, referring to the Takeover Panel's request to News International on Monday to correct certain statements it made in its offer document about management problems at Collins.

News International, in a press release issued last night in response to the Collins circular, said Collins' shareholders should question the publisher on four issues.

These were why Collins' ordinary share price had fallen from the peak of 885p reached shortly after the News International bid was announced to 773p and the "A" shares from 659p to 588p; why Collins' ordinary shares had underperformed the FT All Share index by approximately 15 per cent during the period January 1 to November 16; why operating profits for the six months to June 30 had declined; and why the full potential of Harper & Row had not been utilised by Collins.

"Our concern is not with Collins' performance before the current year, it is only the present and future which are of concern," said Mr Murdoch.

Wiggins £7m sale to Williams

By Nikki Tait

WIGGINS GROUP, property development and housebuilding company, is selling its motor dealer interests to Williams Holdings, acquisitive industrial conglomerate, for £7.5m cash.

The interests involved, the Wiggins Motor Group, comprise five motor dealerships, a body repair centre and Leasemaster, a financial services division. There are three Volvo dealerships, in Twickenham, Croydon and Southampton, plus two in Winchester representing BMW, Citroen and Peugeot.

Williams already owns about 10 dealerships representing the likes of Mercedes-Benz, Porsche, BMW, Rolls-Royce and Jaguar. Williams said that the acquisition was a further development of its vehicle interests and broadened them into the south of England.

The Leasemaster business was started in 1983, and has developed into a national network of branches specialising in finance broking, contract hire and fleet management. The WM Group made a pre-tax profit of £894,000 on sales of £37.8m in the year to the end of March. Net assets were put at £1.5m.

Wiggins said that the directors have decided to sell WM Group so that management efforts could be concentrated on the two property-related divisions.

Mr DJ Henley, chief executive of the WM Group, is expected to resign shortly after the deal is completed.

The net proceeds of £4.82m to Wiggins will be used to strengthen the company's balance sheet.

Wiggins is also proposing to sell one suite in its Waterside project in London to Mr DN Silverton, a director, for £269,610. Both deals are conditional on shareholders' approval.

Arthur Lee rises 46% to £6m

PRE-TAX PROFITS at Arthur Lee & Sons advanced 46 per cent from £4.13m to £6.03m in the year to September 30.

Mr Peter Lee, chairman, said this continued "the strong growth trend of the past five years." Group activity remained high in the new financial year and the order intake remained strong.

Turnover at the steel and plastics manufacturer increased 22 per cent to £100.62m (£82.51m), with steel and related products contributing £89.14m (£74.45m) and plastics £11.48m (£8.06m).

After tax of £2.06m (£1.3m), earnings per share rose 12½p share worked through at 12.64p (9.1p) and the directors have recommended a final dividend of 3p (2.2p), making a total for the year of 4.25p (3.2p).

Mr Lee said the steel division had performed strongly, particularly Lee Steel Strip, which enjoyed buoyant trading conditions and achieved levels of output unexpected two years ago. Lee Bright Bars also achieved a substantial increase in turnover and a notable improvement in profitability. Lee Steel Wire performed well.

In the wire and rope division, John Shaw had a successful year's trading, and although Smith Wires suffered a fire in the early part of the year, it made a marked recovery and achieved a worthwhile profit.

In the stockholding division, Bell & Harwood and Stainless Steel Stockholders attained particularly good results. There was an encouraging performance from Cromdane Steel (UK), which joined the group in March.

Hanson sells more of Kidde for £10m

By Nikki Tait

Hanson, the industrial conglomerate, continues to sell on parts of Kidde, the diversified US industrial group which it acquired for £1.7bn in late-1987 – the latest disposal being Kidde Consultants which is being sold to an investment group including members of management. The investment group is paying $18.3m (£10m).

Kidde Consultants is based in Maryland, and provides engineering, planning and field services. In the year to end-September, it had sales of $34.6m and pre-tax profits of $2.1m. Net asset value is about $11.3m.

At the time of its annual results earlier this month, Hanson said that it had now recouped almost 30 per cent of the Kidde purchase price through disposals.

COMPANY NEWS IN BRIEF

DANAE INVESTMENT Trust: Net asset value 55.77p per capital share at November 30, against 41.48p a year earlier. Earnings per share 3.39p (3.03p) and interim dividend 3p (2.555p).

HAMBROS ADVANCED Technology Trust incurred loss £146,000 for year ended September 30 1988 (£557,000 for previous 18 months). Net asset value 197p but down to 182p at December 13.

HILLSDOWN HOLDINGS: The Kuwait Investment Office has notified a holding of 28.9m shares (6.93 per cent), a slight reduction from the position given in the 1987 annual report, when the KIO held just over 31m shares or 7.5 per cent.

HOBSON has acquired the share capital of Marsh Walters, Birmingham-based manufacturer of aluminium framed windows, for an initial consideration of £250,000 cash. A further payment of up to £25,000 is payable within three months of completion subject to Marsh Walters's net tangible asset value amounting to not less than £227,000.

KLEINWORT OVERSEAS INVESTMENT Trust: following the acquisition of 2.1m ordinary shares, Kleinwort Benson Group holds 9.83m (13.25 per cent). The total holding by Kleinwort Benson Group and under the discretionary management of Kleinwort Benson Investment Management is 23.49 per cent.

PENINSULAR AND ORIENTAL Steam Navigation Co. through its subsidiary Bovis International, is buying 15 per cent of the share capital of the French builder Les Constructeurs Professionnels Associés (Copra) for an immediate cash consideration of FFr 21.6m (£1.98m).

RTZ PILLAR, wholly-owned subsidiary of RTZ Corporation, announced that its subsidiary has taken up about 19.5m common shares in Indal tendered to its offer which expired on December 12. As a result, RTZ Group holds 99.7 per cent of Indal. RTZ Pillar intends to acquire the balance.

UNDERWOODS: Boots has irrevocable acceptances in respect of 17.89m shares (65.8 per cent). Bernerd Family Settlements accepted for 492,745 shares.

UK LAND (Property investment): Net assets per share 562p (325p) at September 30. Pre-tax profits for year to end-September £11.25m (£1.76m) and earnings per share 163.9p (24.9p). Dividend of 11p (6p) proposed.

WACE GROUP has acquired the entire issued share capital of David J Clark for an initial £2m to be satisfied by the allotment to the vendors of 136,111 new ordinary shares of 20p each and a balance of £1.66m in cash. A further payment, to a maximum of £1.6m, is profit-related.

WEBB (JOSEPH): By December 13 acceptances of the offers from Mowat Group for Webb had been received in respect of 24.06m ordinary (about 93.52 per cent) and 186,073 preference (about 54.43 per cent). Cash alternative closed on December 13. The offers have been declared unconditional and remain open until further notice.

CHI doubles to £5.67m halfway

By Clay Harris

CH INDUSTRIALS, the acquisitive industrial holding company with interests ranging from truck cabs to mannequins, more than doubled pretax profits to £5.67m in the six months to October 1.

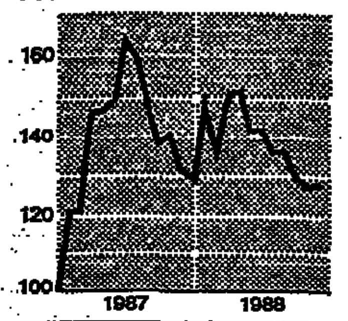
The advance from £2.13m was achieved on turnover 94 per cent higher at £80.57m (£41.63m). Earnings per share rose by 68 per cent to 6.16p (3.66p), or 5.57p (3.3p) fully diluted.

By sector, specialist engineering and design contributed operating profits of £2.59m (£1.65m), chemical and polymer products £1.21m (£1.08m), household products and furnishings £1.5m (£21,000), office products and shopfitting £970,000 (£470,000) and property and investment £670,000 (£220,000).

Associated companies accounted for profits of £721,000 (£59,000 loss). Of this, £287,000 reflected CHI's 22 per cent stake in Manganese Bronze Holdings, the metal products group which makes the traditional FX4 London taxicab. In a full year, MBH is likely to contribute more than £1m.

CH Industrials

Share price relative to the FT-A All-Share Index



Failure of newly installed plant added £2m to the working costs of Cheri Foam's moulded foam division. This is not reflected in the interim results, however, because CHI expects to recover the full damage from the German manufacturer.

CHI did take a £253,000 extraordinary charge for reorganisation at its Calnay polythene film business before its sale to Scott & Robertson in October. Calnay also lost between £150,000 and £200,000 at the operating level in its final six months as part of the group.

The interim dividend is increased to 1.05p (0.75p), in part to reduce disparity with the final, which last year was 3p.

● COMMENT

Few can be watching the planned disposals announced on Wednesday by Laird Group more closely than CHI, which has about £20m in pending orders from Metro-Cammell, in particular the design and procurement contract for interiors of new rolling stock for British Rail's east coast main line. CHI would be cross indeed if Metro-Cammell went to a buyer with ambitions to supply everything in-house. That is a long shot, but the odds are somewhat shorter on CHI's interest in Metrocab, another Laird cast-off. CHI has the capacity and the expertise at Aston Martin Tickford and Motor Panels to take this on, even though glass-fibre bodies would be a bit of a departure. One factor arguing against this move, however, is CHI's determination not to rely on transport activities for much more than half its sales. Elsewhere in the group, Gripperrods is vulnerable to any prolonged softness in the housing market, but office demand appears buoyant. Retail doldrums, moreover, do not appear to have restrained appetites for big shopfitting contracts. Assuming £16m pre-tax in the full year, a bit above some conservative estimates, the shares are worth a look on a prospective p/e of 7.3, fully diluted.

Whitecroft expands with £5m purchase

By Clare Pearson

WHITECROFT, industrial holding company, is adding to its building products manufacturing interests with the purchase of Devon-based M.B. Modern Decor, which makes and supplies PVC and aluminium replacement windows and doors.

The initial payment is £5.2m in cash. There is provision for further cash payments in each financial year up till end-March 1991 on an earn-out basis.

M.B. Modern Decor made pre-tax profits of £752,000 on turnover of £3.6m in its last financial year.

In July, Whitecroft sold its builders' merchanting interests for £34m, to concentrate on building products.

This year it has added a textured coatings concern as well as Trent, a specialist doors and fittings company.

It said yesterday that M.B. Modern Decor represented a useful addition to Lightning Windows, its subsidiary which makes comparable products and is based in the Midlands.

Tyzack pays £11m for French maker of filtration equipment

By Ray Bashford

TYZACK, the restructured Sheffield-based engineering group, is paying £10.9m for Eurofiltec, a French filter manufacturer and distributor.

The acquisition is part of Tyzack's plan for expansion into the fragmented European filtration market from a UK base as a low cost, technologically advanced producer, directors said.

The purchase will be financed through the issue of 3.3m ordinary shares, of which 1.65m will be retained by the vendors, as well as a cash payment of £6.9m. Of this sum £3.9m is to be paid on a deferred basis.

The balance of the share issue will be placed with institutional investors at 118p a share.

Eurofiltec made pre-tax profits of £718,000 on sales of £3.6m during the nine months to September 30, compared with pre-tax profits of £1.9m on £6.5m sales in the preceeding 12 months.

Tyzack directors said the decline in profits and sales during the nine months to September was due to a shortfall in large equipment contracts and lower sales of replacement filters to the power generating industry.

Sales are expected to recover, and access to Tyzack's filter range is expected to boost the French group's performance.

Tyzack lifted its share of the European blast equipment market to about 20 per cent earlier this year with the purchase of Gutmann, a West German group, for £811,000 in cash.

Pre-tax profits at Tyzack were boosted from £540,000 to £2.71m during the year to end-July, on turnover of £26.9m (£10.7m).

Psion to pay initial £4.5m for data group

PSION, handheld computer and software company, is paying an initial £4.5m for privately owned Dacom Systems, a specialist data communications group.

The deal is being financed through the issue of 2.85m ordinary shares at 145p to raise about £4.1m, with the balance financed from company resources.

Further payments for the acquisition are pegged to the achievement of profit targets during the next five years.

Dacom returned pre-tax profits of £598,000 on turnover of £4.65m during the year to May 31. Net assets at that date stood at £982,000.

This is Psion's first acquisition since joining the USM in March and Dr David Potter, the managing director, said it would help develop the product range by broadening the techonogy base.

MMC urged to block S&N bid

By James Buxton, Scottish Correspondent

THE BID by Elders IXL for Scottish & Newcastle Breweries should be blocked by the Monopolies and Mergers Commission, according to a submission made by the Scottish Council (Development and Industry), which works to strengthen the Scottish economy.

The council has told the MMC that a successful bid would diminish employment and output in the company's Scottish operations. It added that the consequent reduction of senior management functions would jeopardise economic development in Scotland.

The council, which notes the MMC's legal responsibility to be concerned with the distribution of economic activity within the UK, points to Elders' reported intention of disposing of S&N's Thistle Hotels subsidiary and of its public houses. This could cost the jobs of about 200 senior and middle managers in Scotland.

Indirectly, it says, a successful takeover could weaken or break links with providers of professional services in Scotland.

This would have a cumulative effect on the Scottish economy because the purchase of financial and business services by emerging companies is usually on a much smaller scale than that of bigger, longer established concerns.

The Scottish Council says that while Elders has offered to bring "some sort of headquarters function" to Scotland, such promises are not legally enforceable and may be altered under changed circumstances.

Similarly, it says, further assurances by Elders to locate certain activities in Scotland, or not to dispose of parts of S&N's business portfolio, must be heavily discounted.

The only certain activity in Scotland is that offered by the continued development of businesses undertaken by S&N's existing management, says the council.

JMD back in the black with £19,000

JMD Group, the USM-quoted provider of design services formerly known as John Michael Design, has returned to the black with pre-tax profits of £19,000 in the first half of 1988. This compares with losses of £214,000 last time.

Turnover at JMD in the six months to September 30 was slightly ahead at £1.18m (£1.12m) and earnings per 2½p share worked through at 0.1p (losses 0.5p).

WPP expands healthcare marketing services

By Nikki Tait

WPP GROUP, the acquisitive advertising agency, public relations and marketing services company, is expanding its healthcare marketing services operations via the purchase of New Jersey-based HLS Corp. Payment is partly on a deferred performance-related basis, but the maximum consideration will not exceed $55.9m.

WPP, which already takes in a healthcare marketing operation in J Walter Thompson Healthcare Group – acquired as part of the company's $566m (£308.9m) takeover of JWT Group last year – estimates that healthcare advertising revenue worldwide already tops $3.8bn and is growing at more than 20 per cent a year. This, it claims, makes it one of the fastest growth sectors within the advertising industry.

HLS Corp, and its Health Learning Systems subsidiary, specialises in marketing programmes, largely on behalf of a pharmaceutical industry client base and aimed at a medical profession audience.

The company, based in Lyndhurst in New Jersey, employs about 40 people. Clients include Johnson & Johnson, Searle Laboratories, Lederle Laboratories and Marion Laboratories. In the year to end-September, HLS's post-tax profits totalled $2.6m on revenues of $13.6m.

WPP will make an initial payment of $25.7m – a mixture of shares and cash, although predominantly the latter. The final payment will be based on a 10 times multiple of average profits after tax for the three years to end-December 1993 – again, split 50/50 between cash and shares. The maximum overall consideration, however, cannot exceed $55.9m.

Builder lifts profits midway to over £1m

Builder Group, business periodical publisher, which joined the main market last July, lifted taxable profits 25 per cent to £1.04m in the half year to September 30.

Turnover expanded 30 per cent to £6m (£4.61m).

Mr Brian Griffin, chairman, said the group's established journals achieved significant increases in both turnover and profits during the period.

After a nil tax charge and minorities of £32,000 (£13,000), earnings per 10p share worked through at 6.22p (5.69p). An interim dividend of 1.2p is declared.

Dwyer assets advance sharply

By Paul Cheeseright, Property Correspondent

DWYER, three years ago a shell company with an Irish base and now seeking to grow as a property investment company, yesterday announced a 174 per cent increase in net asset value per share for the 12 months to the end of September.

The announcement accompanied a sharp rise in earnings and the declaration of a final dividend of 2p a share, bringing payments for the year to 3p – there were no dividends in 1987 and the company recorded losses in 1986.

Revaluation of the company's property portfolio enlarged by acquisitions, after a year of escalating values generally, led to a net asset valuation of 244p a share at the end of September compared with 89p a year before.

The properties which Dwyer is holding for trading purposes have not been revalued.

This compares with a market price of 183p, unchanged yesterday, when there was little response to the figures.

Dwyer's property assets increased in value over the last financial year fivefold to £51m and its net assets grew by £5.6m to £31.1m.

Pre-tax profits for the year to September were £2.09m compared with £776,000 the year before and earnings per share climbed to 12.94p from 8.46p.

The company's rental income rose to £2.3m (£881,000) and was nearly £1m more than dealing profits, emphasising the intention of growing as a property investment rather than a property dealing company.

Property Trust

Property Trust turned the taxable result for the six months to September 30 into the black with profits of £186,000 pre- and post-tax. This compared with taxable losses of £125,000 last time.

Turnover at this property developer fell £557,000 to £2.43m. Earnings per 1p share came out at 0.02p (losses 0.03p).

Steel stockholding boost lifts GM Firth to £2.5m

G M FIRTH (Holdings), steel stockholding, investment and furniture group, increased profits by 54 per cent in the six months to end-September.

The taxable figure rose from £1.63m to £2.52m on turnover ahead 62 per cent from £28.37m to £46m.

Profits from steel stockholding were considerably in excess of the previous first half according to Mr Ian Wasserman, chairman.

There was a contribution of £415,000 from associate Porter Chadburn. Directors boosted the interim dividend to 2.25p (0.5p). Earnings per share surged to 5.3p (3.12p).

Other interests, in furnishing, flooring and fittings, lifted profits by 18 per cent and investment and property activities again made a "significant contribution."

Viking Packaging rises 58% to £1.5m

VIKING PACKAGING, maker and printer of high quality polythene and cast polypropylene flexible packaging, announced a 58 per cent increase in pre-tax profits to £1.51m for the year to September 30 against a previous £957,000.

A final dividend of 2.6p (2.34p) is proposed for a total of 3.9p (3.5p). Earnings worked through at 10.4p (6.9p) per 10p share.

Mr Stephen Ellis, chairman, said the current financial year had started in line with expectations.

While raw materials supply remained restricted, the group was not experiencing supply difficulties.

Turnover amounted to £26.7m (£21.01m) and the pretax result was after interest charges of £548,000 (£419,000). Tax took £521,000 (£333,000).

British Building

Profits were doubled at British Building and Engineering Appliances in the six months to September 30. The taxable figure rose from £203,000 to £415,000 on turnover up 26 per cent from £2.76m to £3.47m.

The company, which is involved in non-mechanical building equipment, said both sales and hire turnover had continued to improve. Earnings per share rose to 22.3p (11.4p) and the interim dividend is doubled to 2p.

Thornton rises

Strong organic growth from its core original businesses enabled G W Thornton Holdings, USM-quoted precision engineer, to lift taxable profits from £1.06m to £1.25m in the 12 months to October 1.

Turnover rose to £13.88m (£10.44m). Comparisons were restated on a merger accounted basis following the purchase of Greenwood Taylor Clark Systems in November 1987.

Earnings were 13.2p (13p) and a recommended final dividend of 2.5p makes a total of 4.25p (3.75p).

Hampton boosts Southend to £15m

THE ACQUISITION of Hampton Trust as well as substantial organic progress enabled pre-tax profits at Southend Property Holdings to vault from £303,000 in the six months to June 30 1987 to £15.02m in the six months to September 30 this year. The company achieved profits of £4.35m in the 15 months to March 31 1988.

Turnover at the company, known until February 1 as Southend Stadium, moved sharply ahead from £1.24m to £44.12m, with most of the increase coming from sales of dealing properties of £36.8m (£600,000). Rental income was up from £644,000 to £6.17m.

Tax rose to £4.84m (£44,000) and the interim dividend is lifted to 1p – double the dividend for the 15-month period to March 31.

Directors said that the figures included for the first time those of Hampton but that the increase in earnings per share – from 0.55p to 12.27p – reflected the parent company's progress and the profit made on sales of its properties referred to in the last report.

Palmerston

Palmerston Holdings, in its first set of results since the group was formed by the merger of Reliable Properties and Palmerston Investment Trust, reported pre-tax profits of £1.54m for the six months to September 30.

Mr Philip Rose, chairman, said in view of the satisfactory result the board had declared an interim dividend of 2.75p.

Finlay takes legal advice over Olympia

By Graham Deller

FINLAY Packaging, Belfast-based colour printer, has taken legal advice following an apparent profits shortfall at Olympia Containers, acquired for £2.79m in October.

Prior to completion, Finlay received certain assurances over Olympia's profits for the period to October 8 1988. Finlay said that it had become apparent that the outcome is "significantly less than anticipated".

Olympia achieved profits before tax of £199,000 in the 44 weeks to July 31 this year and the acquisition agreement anticipated an outturn of £325,000 for the 53 weeks to October 8. It was stated at the time that the purchase consideration would be reduced in the event of any shortfall.

COMMODITIES AND AGRICULTURE

EC hopes for farm package

By Tim Dickson in Brussels

FARM MINISTERS of the European Community will return to Brussels next week to wrestle with a new compromise package put forward by the European Commission early yesterday covering beef reform, milk quotas, direct income aids, New Zealand butter and lamb imports and several other, more minor issues.

The decision to bundle together such a large number of unrelated items was being seen yesterday as a gamble by Mr Yannis Pottakis, the Greek Agriculture Minister and chairman of the EC Farm Council, to break the deadlock which characterised this week's torturously prolonged four-day meeting.

Some Commission officials, however, voiced fears that while there may well be something for everyone in the new compromise, outstanding political differences between member states on some of the major proposals remain acute.

The new package contains most of what was not agreed on this week's heavy agenda, with the notable exception of the controversial Commission proposal for a so-called incorporation premium to encourage animal feed manufacturers to use more domestically grown cereals.

The main points in the compromise are as follows:

● Beef. Here the "safety net" for intervention when the Commission's new annual 200,000 tonnes of purchases is reached has been made more generous. If market prices dip below 78 per cent of the EC's intervention price, the Community will guarantee to buy from producers at 80 per cent of intervention, compared with 75 per cent and 77 per cent in an earlier draft.

Important concessions also appear to have been made in relation to the Ecu40 special premium for male animals, where Britain's Minister, Mr John MacGregor, has been holding out against any headage limit on individual herds. The ambiguous wording was still being studied last night but the text appears to provide new flexibility in the rules between member states.

● Milk. The proposal for compensating the tens of thousands of producers unfairly deprived of milk quota when the system was introduced in 1984 has been significantly modified. The original idea of providing a fixed quantity of additional quota to meet their needs has been replaced with a plan to give all qualifying applicants 60 per cent of the quota to which they should have been entitled.

● New Zealand butter and lamb. The terms of the deal struck between the Commission and the Wellington government are unchanged. Opposition particularly to the lamb import terms from the Mediterranean countries should be allayed by the proposal not to consider changes to the internal sheepmeat regime until next year. But the hostility of France and Ireland remains fierce.

The new butter arrangements with New Zealand have to be approved unanimously - the rest of the package could go through by a qualified majority.

Coffee up in London after NY rally

By David Blackwell

COFFEE prices in London rose to the highest levels for two months yesterday on the back of a strong overnight rally in New York.

The March robusta contract on the London Futures and Options Exchange (Fox) closed at £1,142 a tonne, a rise of £13, in active trading.

The New York March arabica contract closed at 133.42 cents a lb on Wednesday, a rise of 4.60 cents, and hit 18-week highs at yesterday's opening before profit-taking emerged.

The rise in New York was initially spurred by traders covering short positions, and reflected concern about dealyed harvests in Central America as well as problems with the crop in Brazil, where there is also a strike at the ports.

The US Agriculture Department yesterday estimated 1988/89 world coffee production at 93.3m bags, 10m bags less than the revised estimate for 1987/88 – a record year. The estimate followed reports from Brazil, the world's biggest producer, that its crop for 1989/90 would be between 20m and 25.9m bags, compared with earlier estimates of 40m bags.

Supplies of robusta coffee are also tight following delivery problems in some African countries.

But traders said yesterday that London was dragging its feet in relation to New York, and that the arbitrage between the two markets was widening.

The recent rise in prices means that a further 1m bag increase in the International Coffee Organisation's total world export quota to 58m bags is certain to take place next week.

The ICO 15-day indicator price, an average of robustas and arabicas, for December 14 was announced yesterday as 116.39 cents a lb – well above the 114.40 cents a lb necessary to trigger a quota rise on Wednesday.

The differential between arabica and robusta prices was 28.81 per cent.

Under the rules for the current quarter if it remains over 25 per cent the increase will be wholly made up of arabica coffee.

Significantly the ICO daily price was above 120 cents a lb yesterday for the first time since the ICO quota deal was struck at the beginning of October.

In the New Year the ICO reverts to defending a price range of between 120 and 140 cents a lb, with quota cuts triggered if the 15-day average is below 120 cents a lb.

'Missing' oil poses a mystery for markets

Steven Butler looks at the surplus of stocks and the effect this may have on prices

HUNDREDS of millions of barrels of oil have gone missing in the world, and whoever finds them may could win a prize on the oil futures markets. This is because whoever finds them will have a better idea than most as to just where oil prices will move in the coming months.

For many weeks now, reported statistics for oil production, storage, and consumption, including those by reputable sources such as the International Energy Agency, have gone out of balance.

Members of the Organisation of Petroleum Exporting Countries have raised production far beyond self-imposed quota limits, to 22.6m barrels a day in November, according to the IEA.

This drove oil prices way down out of fears that the market would be flooded. Yet one of the principal indicators of excess supply – levels of primary storage in the industrialised countries – has hardly budged.

In terms of forward consumption, stocks are not significantly different from what they were a year ago in spite of the sharp rise in production. And although consumption has increased, it has not gone up by enough to account for the difference.

The statistics have plainly failed to capture precisely what is happening in the oil industry, but just where the error lies could have an enormous impact on oil prices in the coming months.

A few analysts, for example, believe that a huge stock overhang, which most work into their projections, actually does not exist, or at least isn't nearly as big as many people suspect.

If this is true, then bearishness in the oil markets about prices for the spring may be unwarranted. That bearishness is built into the structure of oil prices for forward months, in which February and March and April are progressively cheaper than near months and ready cargoes.

"Brent oil could reach $17 or $18 by February," says Mr Phillip Morgan, of SBCI Savory Miln, providing Opec lowers its production to about 18.7m b/d in the new year.

Mr Morgan took close look at the statistics, and decided that demand in the developed countries had actually been expanding at about 3.8 per cent in the fourth quarter, much higher than most other analysts have estimated.

The IEA, for example, forecasts only a 1.5 per cent growth in the fourth quarter, although the IEA does say growth could easily turn out to be higher than this projection, which is based on reports from its member countries. Some of the growth comes from fuel switching away from natural gas, as fuel oil prices have dropped.

Another relative bull is Mr Stephen Turner, at Smith New Court, who thinks that prices could reach $17 to $18 a barrel by the end of the first quarter. Opec production has, he believes, been exaggerated as the Gulf Arab states have been aiming to score political points by scaring other Opec members into an agreement.

South Africa, it is thought, has been the destination for many of the "lost" cargoes, and Saudi Arabia is thought to control as much as 70m to 80m barrels on the high seas. Mr Turner takes the view, as do most others, that the Saudis are likely to release these cargoes slowly unless they sees that other Opec members are violating their quotas. (The minority view is that the Saudi's will sell the oil to keep the price from rising too quickly.)

Mr Turner sees a larger than usual stock draw in the first quarter, of 2m to 2.5m b/d, but with demand for Opec oil about 20.5m to 21m b/d, the Opec production ceiling of 18.5m b/d is not too far off.

"We think the market can live with this," he says.

The key will be whether Opec manages to stick to its agreement. If holders of oil stocks see the cartel falling into disarray, they will sell. But if discipline holds, they may hang on to stock in the belief that they hold an appreciating asset.

This later point is broadly consistent with the view of Mr Alan Piper, of Opec Listener, the oil reporting service staffed by former employees of Petroleum Intelligence Weekly.

However, Opec Listener does not believe that quite so much oil is at sea as many people believe. A recent report said that Caribbean storage was not particularly full, and that tankers had in fact been steaming away at full speed, unloading their cargoes and returning for more. This is because tanker rates have risen so sharply that storing oil on the high seas is no longer an attractive option.

Instead, excellent margins have encouraged refiners to process oil as quickly as possible, passing it on down the distribution chain, putting refined products into distributors tanks, and into the filling station on the corner, where it is out of reach of the people who compile monthly statistics.

This implies, however, that depending on just how strong demand is over the winter months, Opec could face a terrible time establishing its credibility.

Mr David Grey, of James Capel, believes this is the critical point. He says that reports on primary storage of oil may have failed to move up because the statistical systems are slow to respond to rapid changes, and that stocks are almost certainly very high.

While the Opec production ceiling of 18.5m b/d may be reasonable for normal stock levels, it would not in any case be enough to jerk the price up.

"It is not a restrictive agreement," he says.

This means that the holders of all this stock on land, out of Opec's control, may have little incentive to continue paying finance charges to store the oil. Once the psychological impact of the recent Opec agreement wears thin, fundamentals will take over.

What Opec has to do is "keep the show on the road," he says, to maintain its credibility by calling meetings and jawboning the market while cutting production. This would not push prices toward $18, but rather serve to prevent a collapse to single digits. He expects prices for Brent crudes to fall to $11 or $12 in February, which is always a difficult month for Opec, and rise toward $15 if Opec maintains a semblance of discipline.

Holding up the bottom for oil price projections, as usual (and with a better than average record of being right recently), is the team at Hoare Govett. Ms Ilene Himona sees only a 1 per cent growth in demand this year and next year.

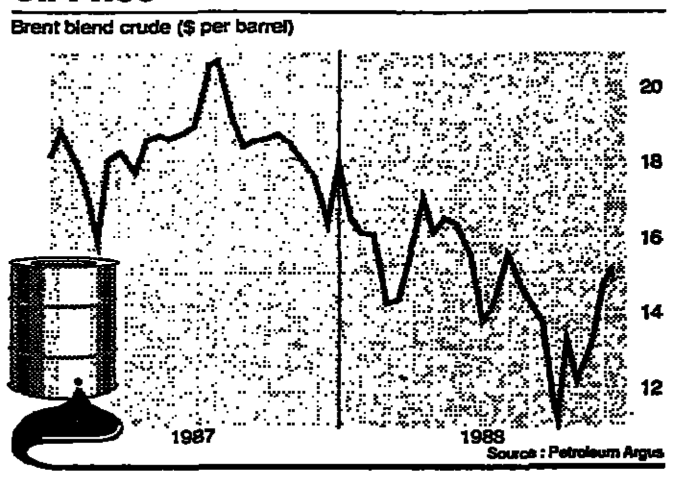
"Our numbers do not look very inspiring, to say the least," she says. "The 18.5m b/d for the first half of the year is too high," citing 17.1m b/d as a better figure for the call on current Opec production.

She believes Brent prices will average $13 a barrel

This wide range of views on the direction of oil prices reflects in part an unusual number of unknowns, such as the whereabouts of some 150m barrels of oil.

It it rather like predicting the weather. In fact it is often precisely like predicting the weather, and anyone who knows the average temperature for North America and Europe in advance this year, worth possibly .5m b/d on consumption, will also win a prize.

Oil Price



THE SINGAPORE International Monetary Exchange (Simex) is planning to launch a futures contract for fuel oil in late February. The contract will be Simex's first entry into energy futures and, if successful, could lead to the introduction of other oil-related contracts. Energy futures are currently traded only in New York and London, although Singapore has an active products market. Simex currently offer a range of financial futures, including currency, bond, and stock index contracts. Specifications for the new contract have been drawn up on the advice of a committee of oil industry and trading representatives.

US may lift sugar quota

Nancy Dunne in Washington

WITH NORTH American sugar stocks at their lowest point in years, the US Agriculture Department yesterday was expected to ease the 1989 sugar import quota over last year's original levels.

The drought last summer cut US beet sugar production by more than 500,000 tonnes, and forced an increase in the 1988 sugar quota from 758,000 tonnes to 1.06m. Output fell in Canada as well, and while it rose slightly in Mexico to 3.85m tonnes. Mexican exports were a record 1m tonnes due to high demand from the Soviet Union and China.

Mexico's stocks are at their lowest level in six years.

Worldwide, sugar production for 1988-89 is forecast at 106.8m tonnes, up from 103m tonnes last year, with large increases in the EC. However, demand is also growing, and consumption is expected to rise by almost 2m tonnes.

For the first time in four years, the USDA is predicting an increase in world sugar exports. Imports are expected to rise in Indonesia, the Soviet Union, China and Yugoslavia .

Predictions of a US quota rise were wide ranging – from 950,000 tonnes to 1.35m. The Caribbean Basin countries, which have seen their market fall drastically, were particularly hopeful of an increase.

However, Caribbean stocks are at their lowest level in four years – down from 1.5m tonnes in 1985-86 to 640m tonnes.

Estimates of 1987-88 Dominican production has been revised down from 800,000 tonnes to 700,000 due to labour problems and bad weather. Guatemala is expected to set a new production record this year for the fourth consecutive year, although domestic demand is expected to absorb most of the increase.

Report urges UK forestry privatisation

By James Buxton in Edinburgh

THE ADAM Smith Institute, the right-wing study group, is calling for a radical-reversal of official forestry policy in Britain with the privatisation of the Forestry Commission and the abolition of grants for tree planting.

The Institute says that many of the Forestry Commission's activities in tree planting and forestry management are uneconomic. Subsidies and tax benefits have led to widespread afforestation taking place for the sole purpose of exploiting the available financial benefits, says the Institute.

Forestry policy has covered Scotland's hills, mountains and glens with rows of "identikit conifers," contributing to the acidification of streams, rivers and lochs.

Compensation under the 1981 Wildlife and Countryside Act to landowners deprived of the possibility of tree planting have been exploited by people who would never have considered planting trees if the government grants had not been available, and in some cases by people who have no intention of planting trees but see the availability of compensation as a way to make easy money.

The Government should end public support for both public and private forestry. It should privatise the Forestry Commission's commercial operations as a single entity, while with the ending of planting grants, the Commission's regulatory role could be terminated, and environmental matters handled through the planning system.

Since almost two-thirds of the Commission's land holdings are in Scotland, the Commission could be privatised as a Scottish company with a predominantly Scottish shareholding to strengthen the Scottish private sector.

There could be a limit on the proportion of shares held outside Scotland and possibly a "tartan share" held by the Scottish Secretary to block unwelcome takeovers.

The Adam Smith Institute regularly produces radical proposals for British problems. Some sink almost without trace. Others, notably its plan for a community charge or poll tax to replace domestic rates, have been adopted almost in their entirety.

Jordan invaded by desert locusts

SWARMS OF desert locusts have invaded Jordan for the first time in 30 years, according to an agriculture ministry official, Reuter reports from Amman.

Ministry Secretary General Salem al-Lawzi told the state-run news agency Petra that two big swarms crossed into south-eastern Jordan on Wednesday night.

He said teams had been sent to combat the insects. There were no reports of damage.

Jordan's last serious locust invasion was in 1958-59 when the insects raided crops in the Jordan Valley.

WORLD COMMODITIES PRICES

LONDON MARKETS

LEAD prices hit 16-month highs in morning trading on the LME, but was unable to hold onto the gains as profit-taking and chart-inspired selling emerged. Dealers said the failure to hold above £400 a tonne in the morning weighed on sentiment, and with other base metals retreating in the afternoon, buying interest dried up. Copper prices were steady, but dealers pointed out that the cash premium over three-month metal has remained more than £200 a tonne despite the end of the Peruvian miners' strike. No significant downtrend is expected until there are definite signs that fresh metal is being attracted to the market, analysts said. Zinc prices were still ahead at the close, although earlier gains were lost. Nickel also advanced, but dealers said the market was looking for fresh incentives to restart the bull market.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$12.55-2.65w	-0.05
Brent Blend	$15.07-5.16q	+0.95
W.T.I. (1 pm est)	$16.30-6.33q	+0.14
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$171-174	
Gas Oil	$151-152	+3
Heavy Fuel Oil	$69-70	+½
Naphtha	$137-139	+3
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$416.25	-4.25
Silver (per troy oz)♣	611c	-6
Platinum (per troy oz)	$579.5	-13.5
Palladium (per troy oz)	$130.5	+1.0
Aluminium (free market)	$2530	-5
Copper (US Producer)	157⅝-62¼c	-5¼
Lead (US Producer)	41¼c	
Nickel (free market)	730c	+20
Tin (European free market)	£4110	+30
Tin (Kuala Lumpur market)	19.75r	-0.01
Tin (New York)	344.5c	+0.5
Zinc (Euro. Prod. Price)	$1500	
Zinc (US Prime Western)	72⅞c	
Cattle (live weight)†	117.00p	+2.21*
Sheep (dead weight)†	164.10p	-11.0*
Pigs (live weight)†	83.43p	+0.20*
London daily sugar (raw)	$292.0z	+0.2
London daily sugar (white)	$298.9z	-0.3
Tate and Lyle export price	£269	-1
Barley (English feed)	£113.00q	+0.25
Maize (US No. 3 yellow)	£131	
Wheat (US Dark Northern)	£119.5v	
Rubber (spot)♥	56.25p	+0.50
Rubber (Jan)♥	63.0p	+0.5
Rubber (Feb)♥	63.75p	+0.50
Rubber (KL RSS No 1 Jan)	292.5m	
Coconut oil (Philippines)§	$565z	+5
Palm Oil (Malaysian)§	$400.0	+2.5
Copra (Philippines)§	$380	
Soyabeans (US)	$182.0q	+1.5
Cotton "A" index	61.70c	
Wooltops (64s Super)	616p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Dec/Jan. w-Feb. v-Apr/May. u-Mar. q-Jan. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Dec	798	789	803 790
Mar	829	821	833 822
May	834	829	838 827
Jul	838	834	841 832
Sep	840	838	842 834
Dec	863	864	867 858
Mar	872	876	872 870

Turnover: 2751 (3034) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Dec 14: 1061.32 (1063.20):10 day average for Dec 15: 1092.19 (1097.45) .

COFFEE £/tonne

	Close	Previous	High/Low
Jan	1132	1123	1139 1127
Mar	1142	1129	1145 1133
May	1134	1120	1137 1127
Jly	1133	1121	1136 1128
Sep	1138	1125	1135 1131
Nov	1132	1120	1130

Turnover:5325 (2616) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Dec 14: Comp. daily 120.35 (118.38); . 15 day average 116.39 (116.04).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Mar	244.60	262.40	263.00 244.40
May	241.00	254.20	254.80 241.00
Aug	233.00	246.00	245.00 233.60
Oct	229.00	240.00	240.00 230.00
Dec	229.00	237.00	235.00
White	**Close**	**Previous**	**High/Low**
Mar	279.50	293.40	293.00 279.00
May	283.00	289.50	286.70 283.00
Aug	286.00	290.00	289.50

Turnover: Raw 4026 (3365) lots of 50 tonnes. White 731 (1355).
Paris- White (FFr per tonne): Mar 1698, May 1690, Aug 1690, Oct 1646, Dec 1640, Mar 1640

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jan	Mar	Jan	Mar
2350	176	193	11	86
2450	101	141	34	131
2550	48	99	81	187
Copper (Grade A)	**Calls**		**Puts**	
3000	316	256	33	227
3200	179	175	94	341
3400	87	115	201	478

FRUIT AND VEGETABLES
Most fruit prices are stable this week with oranges 8-25p each, Cox's apples 35-65p a lb and conference pears 25-45p, reports FFVIB. Bananas 40-58p, satsumas 30-50p and cranberries 80p-£1.00 a 1/2 lb remain unchanged. Brussels sprouts are 15-27p a lb (15-30p), cabbage 14-30p and carrots 10-30p are steady, and cauliflowers are plentiful 55-70p. Homegrown potatoes stay at 9-16p a lb while the Cyprus crop are now in at 25-30p. Round lettuce are 28-36p each (24-32) with the homegrown season almost at an end, while demand for tomatoes 32-58p a lb (30-55p) and cucumbers 45-70p each (40-70p) has meant a slight price rise. However the prices of spring onions 25-45p a bunch and Chinese leaves 35-65p a head are unchanged.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 26,550 tonne
Cash	2530-40	2515-25		2525-30		
3 months	2455-60	2435-8	2480/2450	2445-50	2475-80	24,575 lots
Aluminium,99.5% purity (£ per tonne)						Ring turnover 4,150 tonne
Cash	1370-5	1350-5		1370-5		
Dec. 21	1350-5	1330-5		1340-5		5,583 lots
Copper, Grade A (£ per tonne)						Ring turnover 30,850 tonne
Cash	1886-90	1885-90	1905/1885	1902-5		
3 months	1669-70	1664-5	1690/1665	1676-7	1674-5	70,442 lots
Silver (US cents/fine ounce)						Ring turnover 10,000 ozs
Cash	606-9	613-6	616	616-8		
3 months	619-22	626-9		630-2		481 lots
Lead (£ per tonne)						Ring turnover 14,075 tonne
Cash	403-5	402-3	409	408-9		
3 months	395.5-6	392-3	402/394	398.5-9	398-9	11,192 lots
Nickel ($ per tonne)						Ring turnover 1,044 tonne
Cash	16200-300	15950-6000	16350/16100	16250-300		
3 months	14800-900	14650-700	14850/14750	14775-800	14800-900	5,435 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 250 tonne
Cash	1580-90	1580-5		1605-17		
3 months	1530-5	1520-5		1550-60	1530-40	1,742 lots
Zinc ($ per tonne)						Ring turnover 14,325 tonne
Cash	1585-90	1580-3	1615	1613-8		
3 months	1518-20	1510-3	1550/1518	1535-6	1518-20	12,408 lots

POTATOES £/tonne

	Close	Previous	High/Low
Feb	65.0	65.0	
Apr	91.7	91.0	91.8 90.5
May	106.0	105.8	106.0 105.0

Turnover 143 (743) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Feb	163.50	161.00	163.50
Apr	165.50	163.00	165.00 164.50

Turnover 55 (134) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Dec	1626	1532	1530 1526
Jan	1548	1548	1550 1545
Apr	1585	1586	1586 1583
Jul	1386	1385	1391 1386
BFI	1524	1522	

Turnover 186 (289)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Jan	110.80	110.55	110.60 110.50
Mar	114.35	114.10	114.35 114.00
May	117.55	117.30	117.55 117.30
Jun	118.95	118.70	118.95 118.70

Barley	Close	Previous	High/Low
Jan	107.70	107.60	107.70 107.50
Mar	111.20	111.00	111.20 111.00
May	113.15	113.00	113.20 113.00
Nov	102.60		102.75 102.60

Turnover Wheat 197 (172) . Barley 43 (62) .
Turnover lots of 100 tonnes.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	416-416½	227¼-227¼
Opening	421½-422	230¼-230¼
Morning fix	421.40	230.022
Afternoon fix	418.45	228.412
Day's high	421½-422	
Day's low	414-414½	

Coins	$ price	£ equivalent
Mapleleaf	428-433	234-237
Britannia	428-433	234-237
US Eagle	428-433	234-237
Angel	429½-434½	235-237¾
Krugerrand	415-418	227-229
New Sov.	98-99	53½-54¼
Old Sov.	98-99	53½-54¼
Noble Plat	605.45-615.45	331.20-336.65

Silver fix	p/fine oz	US cts equiv
Spot	338.10	619.25
3 months	349.00	633.65
6 months	360.00	648.20
12 months	381.15	677.65

CRUDE OIL $/barrel

	Close	Previous	High/Low
Feb	14.76	14.60	15.02 14.75
Mar	14.53	14.45	14.77 14.63
IPE Index	14.64	14.61	

Turnover: 3709 (4677)

GAS OIL $/tonne

	Close	Previous	High/Low
Jan	148.00	144.50	149.25 147.25
Feb	144.25	141.25	145.50 143.75
Mar	136.75	136.00	140.25 138.00
Apr	133.25	131.00	135.50 133.00
May	130.00	128.25	133.00 130.00
Jun	128.00	125.75	130.00 127.00
Jul	129.00	126.00	131.00 128.50

Turnover 8925 (5708) lots of 100 tonnes

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Dec	412.9	421.5	421.7	412.0
Jan	414.4	423.5	0	0
Feb	416.6	425.7	426.0	415.2
Apr	422.0	431.3	431.7	420.3
Jun	427.5	437.0	437.0	426.0
Aug	433.1	442.8	432.5	432.5
Oct	438.7	448.6	0	0
Dec	444.3	454.4	454.2	443.0
Feb	416.6	425.7	426.0	415.2

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Dec	581.5	0	575.0	510.0
Jan	579.5	604.5	606.0	579.5
Apr	576.5	599.5	601.0	574.5
Jul	575.5	598.5	598.0	571.5
Oct	576.5	596.5	594.0	571.5
Jan	577.0	598.0	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Dec	606.1	617.7	616.0	604.0
Jan	608.6	620.6	612.5	603.0
Feb	613.5	625.3	0	0
Mar	618.5	630.5	634.0	614.0
May	628.8	640.8	643.0	625.0
Jul	639.6	651.7	653.5	636.0
Sep	650.0	662.3	654.0	654.0
Dec	665.3	677.9	677.0	661.0
Jan	669.5	682.3	0	0
Mar	680.8	693.8	687.0	687.0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	153.30	154.20	153.50	152.20
Jan	144.30	144.70	144.80	143.20
Feb	137.45	138.45	0	0
Mar	131.70	133.20	132.10	130.30
May	124.00	125.10	124.40	123.10
Jul	120.50	121.10	120.00	119.20
Sep	117.40	118.00	0	0
Dec	114.00	114.10	114.50	114.00

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jan	16.28	16.37	16.46	16.23
Feb	15.87	15.89	15.96	15.83
Mar	15.41	15.67	15.70	15.38
Apr	15.27	15.54	15.55	15.25
May	15.21	15.47	15.48	15.20
Jun	15.21	15.42	15.43	15.21
Jul	15.23	15.39	15.40	15.23
Aug	15.21	15.36	15.43	15.20
Sep	15.32	15.33	15.43	15.32

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jan	5040	5113	5130	5035
Feb	4960	5016	5045	4945
Mar	4700	4749	4780	4690
Apr	4410	4474	4510	4410
May	4240	4324	4360	4240
Jun	4190	4254	4290	4170
Jul	4150	4234	4245	4140
Aug	4180	4284	4180	4180
Oct	4450	4424	0	0

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1375	1386	1409	1372
May	1385	1397	1417	1383
Jul	1390	1403	1420	1390
Sep	1403	1415	1423	1403
Dec	1349	1350	1355	1349
Mar	1431	1448	0	0
May	1448	1465	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	133.88	135.00	140.00	134.90
Mar	134.06	133.42	136.50	132.70
May	132.08	131.04	133.65	130.60
Jul	130.50	129.11	132.40	129.50
Sep	129.35	126.30	129.50	127.25
Dec	128.00	124.80	128.00	125.00
Mar	126.25	123.50	0	0
May	126.00	123.25	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	8.50	9.26	10.25	10.25
Mar	10.84	11.60	11.55	10.80
May	10.62	11.20	11.16	10.53
Jul	10.43	10.93	10.89	10.43
Oct	10.14	10.61	10.60	10.11
Jan	9.35	9.60	0	0
Mar	9.90	10.34	10.39	9.90
May	9.80	10.20	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	58.38	57.80	58.40	57.65
May	58.45	57.95	58.48	57.90
Jul	58.50	58.00	58.50	58.10
Dec	57.10	56.95	57.10	56.78

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	167.15	166.20	167.90	166.60
Mar	164.75	164.15	165.50	164.25
May	165.80	164.90	165.85	164.90
Jul	165.85	165.50	166.00	165.95
Sep	165.60	164.95	165.60	165.60
Nov	164.70	163.90	0	0
Jan	159.25	158.75	0	0
Mar	159.25	158.75	0	0
May	159.25	158.75	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	775/4	778/2	781/4	772/0
Mar	787/2	790/2	794/0	785/0
May	793/2	796/0	799/4	791/4
Jul	792/2	794/4	796/0	790/0
Aug	782/0	785/0	787/0	782/0
Sep	737/0	737/0	740/0	732/0
Nov	702/6	705/0	706/0	698/6
Jan	712/4	713/0	715/0	710/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	22.69	23.06	23.13	22.68
Jan	22.78	23.16	23.27	22.75
Mar	23.31	23.65	23.77	23.27
May	23.85	24.16	24.28	23.80
Jul	24.35	24.65	24.78	24.30
Aug	24.45	24.75	24.90	24.45
Sep	24.50	24.85	24.90	24.50
Oct	24.55	24.85	24.90	24.55

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	249.6	249.2	250.7	248.5
Jan	250.1	250.1	251.7	249.0
Mar	250.5	250.2	251.7	249.0
May	247.7	248.2	248.0	245.0
Jul	242.5	240.2	243.0	240.0
Aug	232.5	230.0	236.0	232.0
Sep	224.7	224.0	225.0	224.0
Oct	213.5	213.8	214.0	212.0

INDICES

REUTERS (Base: September 18 1931 = 100)

Dec 14	Dec 13	mnth ago	yr ago
1905.5	1905.3	1883.1	1685.3

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	138.03	137.62	135.41	132.23
Futures	142.37	140.67	138.85	133.79

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	268/2	266/6	269/4	267/0
Mar	279/0	277/6	281/2	277/6
May	283/6	283/0	285/4	282/0
Jul	286/2	285/6	288/0	284/6
Sep	268/6	269/4	272/0	269/2
Dec	264/4	264/4	267/0	263/6
Mar	270/0	270/0	271/4	270/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	428/4	426/6	430/0	426/2
Mar	429/6	427/2	431/0	426/6
May	415/2	411/6	416/4	411/0
Jul	389/0	386/2	390/0	384/4
Sep	393/0	390/0	393/4	392/0
Dec	402/0	399/0	403/0	399/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	72.97	72.60	73.00	72.65
Feb	72.47	72.37	72.75	72.20
Apr	74.70	74.72	74.80	74.27
Jun	73.60	73.55	73.75	73.27
Aug	71.47	71.40	71.55	71.02
Sep	69.60	69.60	0	0
Oct	70.45	70.42	70.67	70.30
Dec	71.50	71.50	0	71.25

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	43.00	43.20	43.70	42.70
Feb	45.92	46.20	46.67	45.72
Apr	44.82	45.05	45.70	44.60
Jun	49.30	49.45	49.77	49.10
Jul	49.47	49.50	49.82	49.10
Aug	48.30	48.42	48.90	48.07
Oct	45.02	45.35	45.50	45.02
Dec	46.15	46.45	46.50	46.15

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	43.87	44.92	45.60	43.55
Mar	44.30	45.47	46.02	44.02
May	46.10	46.97	47.60	45.60
Jul	47.47	48.32	48.90	47.20
Aug	46.82	47.37	47.87	46.55
Feb	58.95	58.75	59.00	56.50
Mar	59.00	58.75	59.00	0

LONDON STOCK EXCHANGE

Equities firm but share volume thin

THE WIDELY-ANTICIPATED rise in the West German Lombard Rate, although quickly followed by higher official lending rates elsewhere in Europe, failed to upset the London equity market yesterday. The UK equity sector drew some benefit from the announcement of a slight moderation in domestic wage pressures and also from a steady opening on Wall Street.

Share prices opened lower as London flinched ahead of the meeting of the Bundesbank council which was expected to face pressure to increase the Lombard rate. However, UK stocks had already turned firmer when the German central bank announced that Lombard Rate would rise half a point to 5.5 per cent. On the news, London stocks slipped off their best levels on sheer lack of business but later resumed their upward path, closing firmly despite a late rise in sterling.

Account Dealing Dates			
*First Dealings:	Nov 28	Dec 12	Dec 26
Option Declarations:	Dec 8	Dec 22	Jan 12
Last Dealings:	Dec 9	Dec 23	Jan 13
Account Day:	Dec 19	Jan 9	Jan 23

*New time dealings may take place from 9.00 am two business days earlier

The FT-SE Index closed 7.1 points up at 1763.2, still one point under the day's best. The market brushed off further staff cutbacks in the City, this time at Kleinwort Benson, which is regarded as one of the more aggressive and successful trading firms.

The announcement that growth in UK average earnings *had moderated to an annual* rate of 9 per cent in October from September's 9.25 per cent was favourably received, although City analysts agreed *that it was too early for celebrations.* "The trend is probably still upwards", commented Mr John Reynolds at Prudential-Bache. Data on UK employment, unit wage costs and the current account were cautiously taken.

Traders described the tone at the close of the market as "very good," but were bound to admit that special situations apart, turnover was already declining into pre-Christmas torpor.

Seaq volume of 396.2m *shares compared with 447.1m* on Wednesday, and similar totals for other recent trading sessions. Many stocks moved higher on unimpressive share *turnover figures.*

The moves to higher interest rates in Europe had been largely discounted, but UK analysts remain wary of the *outlook for domestic rates.* Mr Bill Martin of Phillips & Drew warned that UK rates could be forced higher next year.

Reports from Pittsburgh that Ford Motor has developed a non-platinum exhaust emission catalyst hit shares in Johnson Matthey which, as a major refiner of platinum, draws around one third of its profits from the auto catalyst market.

Consolidated Gold Fields rose sharply, but in thin turnover, as Charter Consolidated's assurance to the annual meet*ing that no major moves are* planned appeared to leave Minorco free to press its attack on Gold Fields – if the UK Monopolies Commission per*mits it.*

FINANCIAL TIMES STOCK INDICES

	Dec. 15	Dec. 14	Dec. 13	Dec. 12	Dec. 9	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	88.54	88.18	88.65	88.79	88.77	87.86	91.43 (18/4)	88.18 (14/12)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.99	96.14	95.81	96.65	96.67	94.84	98.67 (25/5)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1427.3	1424.2	1425.7	1422.4	1429.4	1366.6	1514.7 (8/8)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	170.7	170.4	173.2	174.6	176.8	319.0	312.5 (7/1)	162.7 (22/9)	734.7 (15/2/83)	43.5 (26/10/71)

	Dec. 15	Dec. 14	Dec. 13	Dec. 12	Dec. 9	Year Ago
Ord. Di. Yield	5.14	5.15	5.15	5.16	5.12	4.60
Earning Yld %(full)	12.99	13.01	13.01	13.02	12.93	11.53
P/E Ratio(Net)(☆)	9.29	9.26	9.26	9.26	9.33	10.63
SEAQ Bargains(5pm)	19,191	19,223	20,394	21,633	27,648	27,907
Equity Turnover(£m)†	-	897.80	856.26	929.44	1108.75	1368.27
Equity Bargains†	-	19,229	21,171	23,569	28,295	30,711
Shares Traded (ml)†	-	434.8	414.4	391.4	558.9	588.2

Ordinary Share Index, Hourly changes

● Opening	● 10 a.m.	● 11 a.m.	● 12 p.m.	● 1 p.m.	● 2 p.m.	● 3 p.m.	● 4 p.m.
1418.2	1423.4	1424.5	1427.8	1428.9	1426.1	1426.4	1426.0

DAY'S HIGH 1429.0 DAY'S LOW 1418.1*

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. ☆Nil 9.24 †Excluding intra-market business. *Correction for DAY'S LOW on 14/12/88: 1414.9.

● S.E. ACTIVITY

Indices	Dec. 14	Dec. 13
Gilt Edged Bargains	95.3	93.1
Equity Bargains	124.6	137.2
Equity Value	1814.7	1730.7
5–Day average		
Gilt Edged Bargains	89.8	91.7
Equity Bargains	150.7	153.8
Equity Value	1939.6	1925.7

● London Report and latest Share Index: Tel. 0898 123001

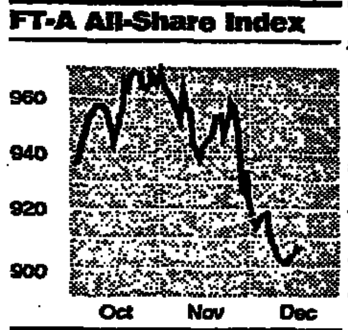
Sudden surge for Beecham

The recent quiet in the pharmaceuticals sector was dispersed by a sudden surge in activity in Beecham. Turnover expanded to 6.8m shares by the close and dealers marked their prices 8½ higher to 474½p.

There was some confusion as to what lay behind the price rise and the high level of trade. Many dealers reported a chronic lack of stock forcing prices upwards. As turnover expanded, however, several stories emerged to justify and fuel activity. Dealing in the traded options 500p series by a leading agency broker was cited. There was also talk of a bid from a wide range of companies. SmithKline, Ciba-Geigy, Johnson and Johnson and Hoffman-La Roche were all mentioned, but there was widespread scepticism.

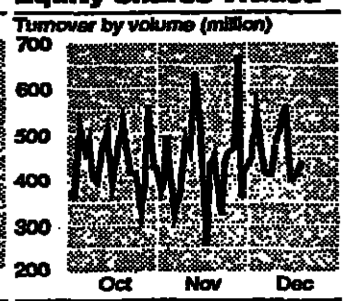
One leading analyst said: "While Beecham has long been vulnerable to a bid, the lack of turnover in the shares and options during the last few weeks makes it unlikely that anything has been going on." County NatWest WoodMac, broker to Beecham, said yesterday that it was extremely wary of takeover talk, but it acknowledged the technical factors in the market.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



Sale of Century

Century Oil shares burst into life, closing 15 higher at 160p on speculation that a bid for the specialist lubricants group could be imminent.

Talk among dealers suggested that a clever buying operation had taken place via the inter broker dealer screens over the past few days and that a near disclosable stake could well have been accumulated *during that time.*

Analysts described Century as a "first class company in terms of technology, with no major shareholders. Some 58 *per cent of the shares are held* by fewer than 100 hands."

Observers said there would be no shortage of takers for the company, which is valued around £55m by the market. Possible predators, analysts said, could include Burmah, BP, which unsuccessfully bid for the group in the late 1970's, and a number of US groups.

Wimpey stake talk

George Wimpey, one of the biggest housebuilders in the UK and a major international building contractor, was among the day's best performers as hints circulated in the market that the Grove Charity Trust stake was about to be reduced. The share price raced up 10 to 257p on turnover of 2.4m, with speculation mounting that a full bid for Wimpey could well be on the cards in the near future.

Yesterday's story was that the Grove Charity Trust was about to reduce its holding from 35 per cent to 28 per cent via a placing spread between a number of institutions and funds. A spokesman for Wimpey questioned about the possible sale said: "We do not comment on market rumours." Rumours that the Trust may be interested in selling or reducing its stake have been around the market for some time.

Dealers said the building group would be a tough takeover proposition, with the possibility of the remaining 28 per cent still in firm hands. Analysts took the view yesterday that without the current spate of bid speculation the shares would almost certainly come under pressure - "they are miles too high on fundamentals," observed one analyst.

Ward White slither

Ward White suffered as several security houses downgraded profits forecasts for the group. County NatWest shaved its projections of likely pre-tax profits for the current year from £77m to £72m and for next year from £98m to £96m. Warburg Securities and Savory Miln were also said to have lowered their estimates.

Analysts pointed to higher-than-expected borrowings and worries about the slowdown in the diy sector – said by one analyst to be "destined to get worse" – which has hit the Payless diy chain. There are also fears about the prospects for Halfords, the motor accessories and cycles group.

Ward White shares, which have fared badly in the last few months and saw a drop of 8½ on Wednesday, rose 1¼ to 201p in early morning trade, then fell back to 189p before closing down 3¼ at 195p with dealers seeing some "substantial buying at the lowest level".

Analysts are bracing themselves for more bad news from the diy sector – the feeling being that Ward White is just the first in the firing line.

Lonrho dipped as world prices of platinum plunged on the claim by Ford Motor of the US that it had developed a catalyst which uses a substitute as effective as platinum, but significantly cheaper, for meeting exhaust emissions. The chairman said the company is conducting a pilot production run of a new catalytic converter which is being installed in some 1989 models.

A sizeable slice of Lonrho's income is derived from its subsidiary Western Platinum, one of Africa's largest producer of the metal. Lonrho shares slithered in relatively thin trade of 1.6m to end 9 down at 331p, while those of major refiner Johnson Matthey fell 10 to 328p. The news came too late for the Johannesburg market, which had closed, so Rustenburg and Impala, the two big South African producers quoted in London, failed to react.

The stock market's fascination with management buy-outs helped spur the rise of 31 to 135p in the shares of Ryan International, the Cardiff-based coal mining group, as news emerged of a £70m deal between its board and the management team led by Mr Chrispian Hotsen.

International stocks were mixed. Glaxo remained firmly in the doldrums and fell 5 to 1023p in modest turnover. Nomura yesterday advised clients wanting to take profits in Beecham to put their money into Glaxo, but this failed to inspire the shares.

Fisons was disappointing ahead of its Tokyo listing on December 22nd. The shares fell 3¼ to 233p in turnover of 1.9m, failing to take inspiration from the run in Beecham.

One large line of Hanson, a block of 3m shares said to have been handled by Hoare Govett, dominated turnover of 10m as the price edged better to 149¼p. The company is persistently mentioned as a bidder for GEC, but most dealers said the support was fundamental. GEC held at 189p with turnover of 5.1m well down on recent levels – "these shares are looking tired, they've run out of steam" one dealer said.

The clearing banks were firmer across the board, but turnover was generally at minimal levels. Barclays were well bid and moved up 6 to 415p on turnover of 2.8m, with Japanese buyers said to have been active overnight in New York and again in London yesterday.

Lloyds was bolstered by a "buy" recommendation issued by Rod Barrett and Nick Collier at Hoare Govett and put on 4 to 317p.

Bradstock's preliminary figures were well received, with the dividend higher than market forecasts. Bradstock shares, mauled earlier in the week, rallied 6 to 183p and the performance boosted all the other insurance brokers.

The brewery sector featured renewed interest in Guinness following the European Commission ruling on what constitutes Scotch whisky. The shares rose 5½ to 334p in turnover of 1m.

Taylor Woodrow raced ahead to close 14 higher at 579p after 584p; talk of further stakebuilding by P & O, which already has a 9.9 per cent holding, was discounted by traders who cited a single badly-handled buying order as responsible for the rise. Bid talk revived in Marley, which closed 4½ better at 150p.

The downgrading of Ward White sent a few tremors through the retail sector with Etam dropping 6 to 132p and Empire Stores falling 8 to 173p.

The Bejam/Iceland Frozen Foods bid battle continued with Bejam obtaining a High Court injunction restraining Iceland from using Bejam's logo and Iceland claiming that it had the support of an institution which has a 5 per cent stake in Bejam. Iceland lost a penny to 313p while Bejam were unchanged at 153p.

Following the recent breakdown in takeover negotiations, Bridgend confirmed the sale of its holding in Cowan de Groot. Mr John Samuelson, who recently declared a beneficial interest of 14.5 per cent in Cowan, is believed to have bought the stake.

The hotel and leisure sector was active. Stakis announced excellent results and sent analysts away from the post-figures meeting in a bullish mood. The shares responded with a gain of 5 to 92p and were widely rated as a strong buy.

Ladbroke rose 7 to 427p in turnover of 2.1m shares. The strong recovery came as buyers returned for the shares which have been at their relative sector low and which have been well rated since the bid for Thomson T-Line knocked down talk of an imminent rights issue. Analysts are predicting a straight run up to the 440p level.

Landleisure and Leisure Investments were both strong, rising 14 to 382p and 4 to 93p respectively on favourable sentiment towards their imminent combination. Chysalis, strong for the last few days, rose another 8 to 117p amid talk of a possible management buy-out.

The property sector, suffering in the doldrums of late, looked set for another lacklustre day when speculation that British Land was to be the long-awaited bidder for Mountleigh brought the market to life.

However, Mr John Ritblat, British Land chairman, put a stop to the excitement with a firm denial. Mountleigh rose 8 to 163½ – having idled at 156p for most of the day – while British Land rose 6 to 326p.

Local London jumped 32 to 489p amid speculation that Brent Walker would sell its stake in the company. Stakebuilding speculation helped Rosehaugh gain 6¼ to 111p with dealers reporting US-sourced buying interest.

Courtaulds inspired a welcome recovery among selected Textiles, although Coats Viyella, which started the latest rout by warning of a profits shortfall this year, was not included. Comment of the prospective earnings rating of the two groups favoured Courtaulds and the shares rebounded 7¼ to 250p, while Dawson International rallied 5 to 194p.

Electra Investment Trust rose 7½ to 215½p, lifted by the enhanced net asset value figure and by a more encouraging statement on outlook; the effects of sharply lower profits were offset by the higher dividend payment.

Comprehensive analysis of the sector by Kitcat & Aitken sparked life into several Overseas Traders. Researcher Mr Bob Carpenter rates Inchcape, up 6 at 197p, and Harrisons & Crosfield, 8 higher at 638p, both sound buys.

The four newcomers to the market received mixed receptions yesterday. Secure Trust, the financial service group, with a full listing stayed above the placing price of 140p throughout and closed at 145p.

Enterprise Oil surged further ahead to close 20 higher at 536p as speculators continued to bet on the company attracting a full bid when the Government's golden share runs out at the year end. LASMO, in the process of selling its 25.2 per cent stake, were also heavily bought and closed 11½ up at 474½p. Heavy activity in Shell saw 8.5m traded and the shares a fraction harder at 342p.

Dealings in traded options reached the modest total of 32,542, consisting of 19,012 calls and 13,530 puts, featuring dealings in BP, GEC and Beecham, and by business in the *FT-SE* 100 index contract which again reached a quarter of overall turnover. BP was again the leader among individual stocks, with 2,897 call contracts and 1,244 puts handled. The 260 call series for January and April were the most heavily traded.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 31

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change
ASDA Group	7,200	128	-2½
Abbey Life	2,780	228	
Allied-Lyons	1,100	435	-1
Amstrad	1,400	155	+5
Argyll Group	6,080	165	+2
Ass. Brit. Foods	38	299	+1
BAA	375	256	
BAT	546	439	+½
BET	1,600	222	+2
BICC	213	366	-2
BOC	709	394	+3
BPB Inds.	833	222	+6
BTR	1,700	290	+1
Barclays	2,800	415	+6
Bass	353	775	+10
Beazer	38	166	+2
Beecham	6,800	474½	+8½
Blue Arrow	6,900	84	+½
Blue Circle	2,350	425	+6
Boots	806	216	+1
British Airways	914	159	
Brit. Aerospace	516	431	-3
Brit & Comm.	2,000	286	+1
British Gas	1,800	159	-1
British Land	715	326	+6
BP	7,960	257	-2
British Telecom	1,400	253	
Burmah Oil	131	470	-1
Burton	976	182	-½
Cable & Wireless	1,091	366	-2
Cadbury Schweppes	1,700	321	+3
Coats Viyella	2,100	133	
Commercial Union	1,300	327	+3
Cons. Gold Fields	874	£12½	+¼
Cookson	216	246	+1
Courtaulds	1,800	250	+7½
Dalgety	58	289	+2
Dixons	6,500	130	-1
Eng. China Clays	303	449	+3
Enterprise Oil	2,900	536	+20
FKI Babcock	1,700	117	
Fisons	1,900	233	-3½
Gateway Corp.	1,700	156	-2
General Accident	647	854	+9
General Elect.	5,094	189	
Glaxo	1,600	£10¼	
Globe Inv.	1,500	138	+1
Glynwed Int.	213	252	-1
Granada	561	310	-2
Grand Met.	1,300	432	
GUS A	119	923	+1
GRE	397	179	+2
GKN	158	295	-2
Guinness	1,000	334	+5½
Hammerson 'A'	333	694	+17
Hanson	9,915	149¼	+½
Harrisons & Cros.	259	638	+8
Hawker Siddeley	310	521	-1
Hillsdown Hldgs.	1,300	230	-½
IMI	536	176	+1
Imp. Chem.	811	994	-1
Inchcape	763	197	+6
Jaguar	118	260	+1
Ladbroke	2,100	427	+7
Land Securities	818	550	+3
Laporte	198	357	
Legal & General	354	279	+2
Lloyds Bank	531	317	+4
LASMO	4,200	474½	+11½
Lonrho	1,600	331	-9
Lucas	528	522	-3
MB Group	1,500	241	+2
MEPC	1,600	526	+6
Marks & Spencer	1,700	146	+2
Maxwell Comm.	62	184	+2
Midland Bank	224	404	+1
Nat. West. Bank	1,200	516	+3
Next	2,200	131	+½
Northern Foods	70	282	
Pearson	47	631	+3
Pearl	129	377	-1
P & O	1,200	526	-4
Pilkington	1,400	198½	+2½
Plessey	1,900	214½	+3½
Prudential	1,998	151	+3
Racal	4,600	259	+1½
Rank Org.	321	680	+11
RMC	536	470	+1
RHM	167	342	-3
Reckitt & Colman	42	908	+3
Redland	729	396	+3
Reed International	1,500	345	+5
Reuters 'B'	651	479	-1
RTZ	2,100	401	+8
Rolls Royce	296	127	+½
Sainsbury	379	414	+5
Royal Bk. of Scotland	422	343	+3
Royal Insurance	266	381	+2
STC	805	267	+1
Saatchi & Saatchi	656	310	
Salisbury	129	189	-½
Scott & Newcastle	894	389	+2
Sears	4,100	109	
Shell Transport	8,490	342	+1
Siebe	161	361	
Slough Ests	256	296	+6
Smith & Nephew	2,500	114½	+2
Standard Chartd.	220	497	+2
Storehouse	2,300	185	-1½
Sun Alliance	16	951	+11
T&N	418	157	-1
TSB	1,300	107	+1½
Tarmac	1,200	228	+2
Tate & Lyle	388	796	-5
Tesco	2,000	129	-1
THORN EMI	554	598	
Trafalgar House	1,100	289½	-½
Trusthouse Forte	566	242	-1
Ultramar	1,200	277	-2
Unilever	457	442	
United Biscuits	4,460	281½	+14½
Utd. Newspapers	84	369	+4
Wellcome	473	489	+8
Whitbread 'A'	18	289	+3
Williams Hldgs.	1,100	213	-2
Wimpey	2,400	257	+10
Woolworth Hldgs.	711	223	-1

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (9).
BREWERS (1) Vaux Grp., ENGINEERING (2) Thyssen, Westland, INDUSTRIALS (4) Elkem, ISA Int'l., Nu-Swift, Sanders & Sidney, NEWSPAPERS (1) Daily Mail 'A'.

NEW LOWS (73).
BRITISH FUNDS (2) Treas. 3pc 1992, Funding 6pc 1993, AMERICANS (1) Houston Inds., CANADIANS (5) Corona Corp., Echo Bay Mines, Geodome Res., Madeleine Mines, Sonora Gold, BANKS (2) Lon. Scot. Bank, Warburg (S.G.), BREWERS (1) Bulmer (H.P.), BUILDINGS (1) McCarthy & Stone, CHEMICALS (1) Croda Int'l., STORES (5) Dixons, Empire Stores, Etam, Smith (W.H.), Wickes, ELECTRICALS (7) Alphameric, Bennett & Fountain, Borland Int'l. Inc., Microgen Hldgs., Murray Tech. Invs., Personal Comp., Sherwood Comp., ENGINEERING (3) Dale Grp., Robinson (Thos.), TACE, FOODS (2) ASDA Grp., Cranswick Mill, INDUSTRIALS (14) Avon Rubber, Bluebird Toys, British Vita, DSC, Davis Godfrey, Hartons, Havelock Europa, Hewitt (J.), NMW Comp., Keep Tst., Page (M.) Grp., Parkfield Grp., Sharp & Law, Do. 8½pc Cv. Pf., INSURANCE (1) Sun Life, LEISURE (1) Hi-Tec Sports, MOTORS (2) Spice, Cook (D.C.) Hldgs., NEWSPAPERS (1) Quarto Grp., PAPERS (10) Addison Consult., Chapman Inds., Fairway (London), Filofax, Holmes Marchant, Lowe H-S & S., St. Ives, Shandwick, Tinsley Robor, WCRS Grp., PROPERTY (2) BHH Grp., McInerney, TEXTILES (1) Mackay Hugh, TRUSTS (4) Select Assets Un. Ln., Do. sertl, TR Tech. Stepp'd Pf., Biotechnology Invs., OILS (1) Lysander Pet., OVERSEAS TRADERS (3) Nesco, Pat'son. Zoch., Do. 'A' N-V, MINES (3) Metana Minerals, Whim Creek, McFinley Rd. Lake.

APPOINTMENTS

Senior post at Lloyd's Register

■ Mr John Hutchison, managing director of Bank Line, and director of the parent company, Andrew Weir & Co., has been appointed deputy chairman of LLOYD'S REGISTER from January 1. Mr John Hickman becomes secretary on the same date.

■ From January 1 BARING SECURITIES has appointed Mr Jeremy Campbell-Lamerton, Mr B.Y. Cho, Dr Christopher Derricott, Mr Roy Johnson, Mr Richard Katz, Mr Alex Murray, Mr Nigel Radley, Mr Henry Reid and Miss Kumiko Terazawa as directors, and Mr Henry Anstey, Mr Rupert Fryer, Miss Vanessa Gibson, Mr John Guy and Miss Elizabeth Pound as assistant directors.

■ Mr John B. Davies has been appointed managing director, finance, of TEXAS EASTERN NORTH SEA INC., London. He was with Amoco (UK) Exploration Company, where he was director and manager of administration and economics.

■ Mr R.J. Taylor, a general manager of Sun Alliance Insurance Group, has been appointed a director of THE BRITISH AVIATION INSURANCE COMPANY. He replaces Mr Peter Quaile who *has resigned* pending his retirement from Sun Alliance early next year.

Mr Charles Chevasco (above) *has joined the* board of BENLOX HOLDINGS from Bovis International, where he was deputy managing director. Mr Paul Bloomfield has been *appointed* a non-executive director.

■ HENDERSON *ADMINISTRATION GROUP* has appointed three directors in its private client division, Henderson Financial Management. They are Ms Cristina Negretti, Mr David Barber and Ms Moira McLaren.

■ NEL BRITANNIA, insurance subsidiary of the Britannia Arrow Group, has appointed Mr Russell Devitt as director of business development; Mr Tom Wall as marketing director; and Ms Rosemarie Rouse as director of PR and communications. All three are joining from Pearl Assurance. Mr Robert Stedall has been appointed director of finance and administration. He was finance director of Gartmore Investment Managment.

Seven managing directors at Salomon Bros

■ *SALOMON BROTHERS,* London, has appointed seven managing directors from January 1. They are: Mr Peter G. Dagher and Mr Dennis J. Keegan, international fixed income trading; Mr J. Randolph Dumas, investment banking - international real estate; Ms Jean Grall and Mr G. Donald Johnston III, investment banking - international corporate finance; Mr David Jarvis, investment banking - international financial institutions; and Mr Christopher M. Mitchison, Japanese equity research.

Mr David M. Whatmuff, deputy chief executive and secretary of the CHESHIRE BUILDING SOCIETY, has been appointed to the board.

■ ASSOCIATED *NEWSPAPERS HOLDINGS* is to re-organise the group's national newspapers and the Evening Standard. A company will be formed to include the Daily Mail, The Mail on Sunday, the Evening Standard, and Harmsworth Quays (the company responsible for printing and other common services). Lord Rothermere, the holding company chairman, will be chairman of the new company, and Mr H.C. Hardy, chief executive of the Evening Standard, becomes managing director from January 1. The managing directors of the four divisions, together with the three newspaper editors, will *comprise the board.* Mr John Winnington-Ingram, managing director of Mail Newspapers, retires from this post on December 31, but remains a director of Associated Newspaper Holdings.

FT UNIT TRUST INFORMATION SERVICE

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AUTHORISED UNIT TRUSTS

London & Manchester (Tst Mgmt) Ltd (1000)H

Winslade Park, Exeter EX5 1DS 0392 282673

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or −	Yield Gr's
American	5	27.77	28.11xd	29.84	−0.21	0.8
General	5	46.40	46.60xd	49.47	+0.06	3.7
Income	5	43.32	43.62	46.31	−0.08	5.6
International	5	33.97	34.29	36.40	−0.01	0.9
Japan	5	51.00	51.32	54.48	+0.09	0.0
Tst of Inv Trusts	5	34.79	35.38	37.56	−0.02	2.0

M & G Securities (y) (0915)H

Three Quays, Tower Hill, EC3R 6BQ.
Cust Services 01-626 4588 Unit Dealing 0245 266266

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or −	Yield Gr's
Amer & General	5	190.09	190.1	202.0	−2.7	1.44
(Accum Units)	5	226.80	226.9	239.9	−2.6	1.44
Amer Recovery	5	210.99	211.7xd	225.5	−1.2	1.00
(Accum Units)	5	234.90	235.7	251.0	−1.4	1.00

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or −	Yield Gr's
Financial Securities	5¼	38.35	38.35xd	40.74	[illegible]	4.02
Gold	5¼	39.83	39.83xd	42.71	[illegible]	0.99
Accum Units	5¼	41.60	41.60	44.61	[illegible]	0.56
Intl Leisure	5¼	15.79	15.79xd	16.77	[illegible]	–
Property Shares	5¼	70.22	70.22	74.60	[illegible]	1.79
Universal Energy	5¼	53.51	53.51	56.85	[illegible]	2.0
World Technology	5¼	34.34	34.34	36.48	[illegible]	0.43
Overseas Growth Funds						
American Growth	5¼	27.84	27.84xd	29.75	[illegible]	1.71
US Smaller Co's	5¼	54.30	54.30	58.73	[illegible]	–
(Accum Units)	5¼	54.88	54.88	59.36	[illegible]	–
Australian Growth	5¼	40.55	40.55	43.37	[illegible]	2.82
Drayton Japan	5¼	54.96	54.96	58.57	[illegible]	–
Europe Perf	5¼	70.83	70.83	75.92	[illegible]	0.38
(Accum Units)	5¼	71.61	71.61	76.76	[illegible]	0.37
Euro Smaller Cos	5¼	12.66	12.66xd	13.61	[illegible]	1.27
Far East	5¼	65.62	65.62	69.72	[illegible]	0.34
French Growth	5¼	38.39	38.39	41.24	[illegible]	0.55
Accum Units	5¼	38.64	38.64	41.51	[illegible]	0.54

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ¥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♦ - 1701 to midnight.

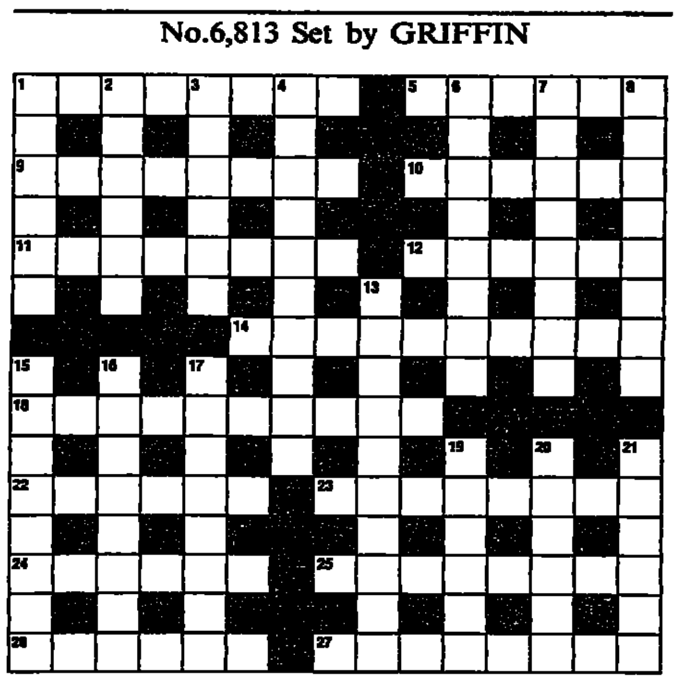
HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

Other explanatory notes contained in last column of the FT Unit Trust Information pages.

CROSSWORD

No.6,813 Set by GRIFFIN



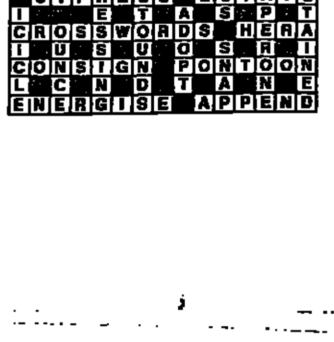
ACROSS

1 Tall glass vessel (8)
5 In agreement, take half of vessel – (6)
9 – even if it upsets Hugh a lot (8)
10 Girl wants a bed at the front (6)
11 Loathe Devon banker with an old car (8)
12 Dominate in the seventh rally (6)
14 Subordinate in corner resolved to think again (10)
18 Learned about old city from printed matter (10)
22 Having broken leg can look but briefly (6)
23 Sweetheart takes Pam here dressed as a mayfly (8)
24 Assistant with the continental stock (6)
25 To cover retirement one man is hard-working (8)
26 Religious class on vessel (6)
27 Vessel a girl takes back into pub (8)

DOWN

1 Left vicar when standing outside vessel (6)
2 Girl's sock goes on top of here (6)
3 Smells the same in sour mixture (6)
4 Of course it's the last hole! (10)
6 This morning the sty needed rebuilding with stone (8)
7 Capital for tank Maud requires replacing (8)
8 Outside back door Walter's breaking up vessels (8)
13 Bent on squeezing one in vice (10)
15 Iris wiggled hips on vessel (8)
16 Rest will be ruined, having water in filter (8)
17 Handcuff the pair and telephone back (8)
19 Twins, say, overturned car (6)
20 Save man leaving here with judge (6)
21 Sailor on brown vessel (6)

Solution to Puzzle No.6,812



FT UNIT TRUST INFORMATION SERVICE

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TSB Unit Trusts (y) (1000)F
Charlton Pl, Andover, Hants. SP10 1RE 0264 63434

	Init. Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
TSB American	6	93.52	93.52	99.49	-1.67	2.13
Do Accum	6	100.37	100.37	106.78	-1.79	2.13
TSB Brit Growth	6	51.85	51.85	55.16	+0.30	3.49
Do Accum	6	54.25	54.25	57.71	+0.09	3.49
TSB European	6	51.79	51.79	55.10	+0.05	1.06
Do Accum	6	53.20	53.20	56.60	+0.05	1.06
TSB Extra Income	6	140.98	144.42	153.64	+0.12	6.15
Do Accum	6	181.98	186.43	198.33	+0.16	6.15
TSB Smaller Cos	6	48.55	50.61	53.84	-0.17	1.55
Do Accum	6	49.41	51.51	54.80	-0.17	1.55
TSB General	6	170.71	170.71	181.61	+0.80	3.70
Do Accum	6	295.49	295.49	314.35	+1.37	3.70
TSB Premier Income	5	46.53	46.99	48.95	-0.07	4.38
Do Accum	5	72.42	72.13	75.14	-0.11	4.38
TSB Income	6	251.55	251.55	267.61	-3.97	5.32
Do Accum	6	427.90	427.90	455.21	-6.78	5.32
TSB Pacific	6	209.57	212.79	226.37	-0.74	0.31
Do Accum	6	217.89	221.24	235.36	-0.76	0.31
TSB International	6	317.39	317.39	337.65	-1.12	0.88
Do Accum	6	401.05	401.05	426.65	-1.40	0.88
TSB Nat Resources	6	56.90	58.23	61.95	+0.18	1.73
Do Accum	6	60.32	61.73	65.67	+0.18	1.73
TSB Sktd Opps	6	73.84	73.84	78.55	-0.11	2.91
Do Accum	6	84.31	84.31	89.69	-0.12	2.91

Target Trust Mngrs Ltd (1600)H
Target Hse. Gatehouse Rd, Aylesbury, Bucks.
Admin: 0296 394000 Dealing: 01-379 0860

American Eagle	5	59.64	59.64	63.72	-0.01	1.28
Australia	5	6.699	6.690	7.165	+0.08	0.10
Commodity	5	70.25	70.25	76.21	+0.22	0.65
Convertible	5	135.3	135.3	145.3	-0.3	5.26
Equity	5	141.9	141.9	153.0	+0.8	3.41
Euro Spec Sits	5	80.84	80.84	86.97	-0.57	1.57
Financial	5	28.95	28.95	31.20	-	2.18
Global Opps Inc	5	53.29	53.29	57.43	+0.06	0.65
Global Opps Acc	5	53.69	53.69	57.86	+0.06	0.65
Gold Income	5	43.12	43.12	46.31	-0.01	0.00
Gold Acc	5	79.43	79.43	85.31	-0.01	0.00
Income	5	98.45	98.45	106.2	+0.7	4.78
Japan	5	126.9	126.9	136.7	-0.6	0.00
Pacific Inc	5	113.4	113.4	122.3	-0.4	0.06
Pacific Acc	5	140.7	140.7	151.7	-0.5	0.06
Preference Share	5	24.16	24.38	26.30	+0.03	7.67
Special Sits	5	85.29	85.29	91.90	+0.30	1.70
UK Capital	5	83.13	83.13	89.80	-	1.74
World Income	5	50.34	50.34	54.14	-0.42	5.05
Worldwide Capital	5	145.6	145.6	157.0	-	1.99
Equity Exempt	5	110.3	110.3	119.4	-	2.33

Murray Johnstone UT Mngmt
Murray Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Amer Exmt Dec 14	37.3	38.7	+0.0	2.45
Euro Exmt Dec 14	41.8	43.8	+0.0	2.2
Fixed Int Ex Dec 14	47.7	50.0	+0.0	10.3
Japan Exmt Dec 14	56.5	58.8	+0.0	5.15
Managed Ex Dec 15	37.2	38.6	+0.0	0.42
SE Asia Exmt Dec 14	35.1	36.8	+0.0	3.21
Sm Cos Exmt Dec 14	39.9	41.9	+0.0	3.03
UK Eqty Ex Dec 14	33.4	35.0	+0.0	4.87

New Court Property Fund Managers

NC Property	191.5	209.3	....	-

Phillips & Drew Fund Management Ltd

P&D Small Co's Herb.	774.0	820.0	....	4.20
Do Accum	799.0	846.0	....	4.20
PDFM Int Exmt Dec 15	121.7	123.8	+0.4	2.66

J. Rothschild Fund Managers Ltd

Intl Exempt	96.10	97.33	-1	2.49

INSURANCES

AA Friendly Society
Government Mngt M & G Inv Mngt Ltd

AA Friendly Sy Dec 9	-	139.4	....	-

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Prop. Ser. 1	261.4	275.2	....	-
Equity Ser 1	107.9	113.6	+0.3	-
Prop. Acc. Ser 2	390.4	411.0	....	-
Equity Ser 2	122.5	129.0	+0.4	-
Selective Acc	290.2	305.5	+0.3	-
Prop. Ser. 4	313.0	329.5	....	-
Equity Ser. 4	128.7	135.5	+0.3	-
Fixed Int. Ser. 4	213.0	224.3	-0.6	-
Indexed Inv Ser. 4	128.5	135.4	-0.3	-
American Ser. 4	247.2	260.3	-0.9	-
High Inc. Ser 4	372.2	391.8	+1.0	-
Japan Ser 4	282.7	297.6	-0.3	-
Man Ser. 4	371.8	391.4	+0.3	-
Money Ser 4	221.9	233.6	....	-
European Ser 4	95.6	100.7	+0.3	-

Pension Funds

Property	542.0	570.6	....	-

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

Continued on next page

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MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

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OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

BRITISH FUNDS

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
102	99	Treas 11½pc 1989	99		11.54	12.84
101	98	Treas 9½pc Cnv 1989	98		9.60	12.54
97	95	Treas 3pc 1989	97		3.09	10.29
102	98	Treas 10½pc 1989	99		10.59	12.34
102	98	Exch 10pc 1989	98		10.15	12.41
103	98	Exch 11pc 1989	99		11.09	12.11
97	94	Treas 5pc 1986-89	95		5.23	10.59
104	98	Exch 10¼pc Cv '89	98		10.36	11.52
107	101	Treas 13pc 1990‡‡	101		12.78	11.33
104	99	Exch 11pc 1990‡‡	99		11.03	11.19
107	100	Exch 12½pc 1990	101		12.34	11.36
93	90	Treas 3pc 1990	91		3.29	9.59
99	95	Treas 8¼pc 1987-90‡‡	95		8.63	11.52
102	95	Treas 8pc Cv 1990 ‡‡	96		8.32	10.72
103	97	Treas 10pc Cv 1990	97		10.22	11.30
91	87	Exch 2½pc 1990	87		2.88	9.82
107	100	Treas 11¾pc 1991	100		11.65	11.30
95	89	Funding 5¾pc '87-91‡‡	89		6.42	10.97
90	86	Treas 3pc 1991	86		3.49	9.73
105	97	Treas 10pc Cv '91 ‡‡	98		10.20	10.91
107	98	Exch 11pc 1991	99		11.04	11.15
98	91	Treas 8pc 1991	92		8.66	11.07
113	103	Treas 12¾pc 1992‡‡	104		12.19	10.94
104	96	Treas 10pc 1992	97		10.26	10.94
98	91	Treas 8pc 1992 ‡‡	92		8.69	10.89
106	98	Treas 10½pc Cv 1992‡‡	98		10.62	10.89
86	81	Treas 3pc 1992	82		3.66	9.19
112	102	Exch 12¼pc '92	103		11.79	10.92
117	106	Exch 13½pc 1992	107		12.50	10.85
97	91	Treas 8¼pc 1993	91		8.97	10.67
105	96	Treas 10pc 1993‡‡	97		10.21	10.59
115	105	Treas 12½pc 1993‡‡	106		11.75	10.72
93	85	Funding 6pc 1993‡‡	85		7.02	9.29
121	110	Treas 13¾pc 1993‡‡	111		12.35	10.72
		Five to Fifteen Years				
101	90	Treas 8½pc 1994	91		9.31	10.71
94	90	Treas 8½pc 1994 A	91		9.31	10.73
125	113	Treas 14½pc 1994‡‡	114		12.62	10.68
120	109	Exch 13½pc 1994	110		12.18	10.78
105	96	Treas 10pc Ln 1994‡‡	97		10.21	10.50
116	106	Exch 12½pc 1994	107		11.67	10.78
101	92	Treas 9pc 1994‡‡	93		9.60	10.43
114	104	Treas 12pc 1995	105		11.36	10.71
83	77	Exch 3pc Gas 90-95	79		3.76	6.99
106	97	Exch 10¼pc 1995	98		10.40	10.56
120	109	Treas 12¾pc 1995‡‡	110		11.53	10.54
126	114	Treas 14pc '96	115		12.08	10.73
101	92	Treas 9pc 1992-96‡‡	93		9.62	10.27
133	122	Treas 15¼pc 1996‡‡	123		12.37	10.62
123	112	Exch 13¼pc 1996‡‡	113		11.67	10.56
105	96	Conversion 10pc 1996	97		10.75	10.42
124	113	Treas 13¼pc 1997‡‡	114		11.57	10.51
108	99	Exch 10½pc 1997	100		10.46	10.42
98	90	Treas 8¾pc 1997‡‡	91		9.55	10.21
134	123	Exch 15pc 1997	124		12.03	10.62
104	95	Exch 9¾pc 1998	96		10.08	10.32
87	80	Treas 6¾pc 1995-98‡‡	81		8.29	9.82
140	129	Treas 15½pc '98‡‡	129		11.92	10.50
118	108	Exch 12pc 1998	109		10.93	10.39
103	95	Treas 9½pc 1999‡‡	96		9.83	10.04
120	110	Exch 12¼pc 1999	111		10.97	10.36
109	100	Treas 10½pc 1999	101		10.33	10.24
107	99	Conversion 10¼pc 1999	100		10.24	10.23
100	86	Treas 8½pc Ln 2000‡‡	89		9.45	10.01
99	92	Conversion 9pc 2000‡‡	93		9.66	10.02
126	116	Treas 13pc 2000	117		11.05	10.36
106	98	Treas 10pc 2001	99		10.05	10.05
129	119	Treas 14pc '98-01	120		11.64	10.55
104	97	Conversion 9¾pc 2001	98		9.95	10.02
118	108	Exch 12pc '99-02	109		10.95	10.42
107	99	Conversion 10pc 2002	100		9.96	9.94
105	97	Treas 9¾pc 2002	98		9.88	9.91
99	92	Exch 9pc 2002	93		9.62	9.85

Over Fifteen Years

BRITISH FUNDS—Contd

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		Undated				
44	41	Consols 4pc	43		9.22	−
40	37	War Loan 3½pc‡‡	39		8.97	−
62	48	Conv. 3½pc '61 Aft	60		5.74	−
33	30	Treas. 3pc '66 Aft	31		9.45	−
29	26	Consols 2½pc	27		9.21	−
28	26	Treas. 2½pc	27		9.23	−
		Index-Linked				
		(b)			(1)	(2)
124	117	Treas 2pc IL '90(84.6)	123		1.42	3.66
105	99	Do. 2pc '92‡‡(97.8)	103		2.87	3.64
96	92	Do. 2 '94 (102.9)	94		3.31	3.77
142	127	Do. 2pc '96(67.9)	139		3.37	3.70
121	103	Do 2½pc '01(78.3)	118		3.58	3.81
112	101	Do. 2½pc '03(78.8)	115		3.64	3.85
120	102	Do. 2pc '06(69.5)	117		3.67	3.84
113	95	Do. 2½pc '09(78.8)	110		3.67	3.82
117	99	Do. 2½pc '11(74.6)	114		3.65	3.80
97	82	Do. 2½pc '13(89.2)	95		3.65	3.79
105	88	Do. 2½pc '16(81.6)	102		3.61	3.74
103	87	Do. 2½pc '20(83.0)	100		3.55	3.67
87	73	Do. 2½pc '24‡‡(97.7)	84		3.52	3.63

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing. (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for March 1988:104.1 and for October 1988:109.5

INT. BANK AND O'SEAS GOVT STERLING ISSUES

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
109	100	African Dv Bk 11½Ln 2010	103		10.74	10.69
104	96	Asian Dev Bk 10¼pcLn2009	99		10.28	10.28
129	120	Australia 13½pc 2010	124		10.81	10.54
112	103	Do. 11¼pcLn2015	108		10.48	10.42
110	103	Euro Inv Bk 11pc Ln 2002	103		10.63	10.52
105	98	Do. 10¼pc2004	99		10.44	10.46
120	112	Ex-Am Dev Bk 12½pc 2003	113		10.99	10.60
98	91	Do. 9¼pcLn 2015	95		10.22	10.26
96	85	Mlysia 10¾pcLn 2009	94		11.46	11.53
121	87	Utd. Mexican States 16½pc 2008	120		13.64	12.85

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

1988 High	Low	Stock	Price £	+ or −	Div % Gross	Red. Yield
45	33	Greek 7pc Ass	45		3.50	17.78
45	33	Do. 6pc 28 Stb. Ass	45		3	16.67
45	33	Do 4pc Mixed Ass	45		2	14.44
80	63	Hung. '24 Ass	80		2.75	13.57
140	128	Hydro Quebec 15pc 2011	134		15.00	10.88
131	13	Iceland 14½pc Ln 2016	123		14.50	11.67
101	37	Ireland 9¾pc '91-96	94½		9.75	10.70

AMERICANS

1988 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
29½	22	Abbott Laboratories	25		$1.20	−	2.6
649p	340p	Allegheny & W 1c	348p		30c	−	4.8
14	862p	Amax $1	12		40c	−	1.8
15	8	Amdahl 5c	10		h10c	−	0.5
31	22	Amer. Cyanamid $5	25		$1.20	−	2.7
17	11	Amer. Express 60c	14		84c	−	3.1
10	668p	Amer. Medical Int. $1	826p	+22	72c	−	4.8
17	13	American T. & T. $1	15		$1.20	−	4.2
56	44	Ameritech $1	51		$5.40	−	5.8
19	15	Anheuser-Busch $1	17		72c	−	2.3
10	360p	BankAmerica $1	975p	−12	−	−	−

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

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AMERICANS—Contd

1988 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
19	14⅜	USX $1	15⅞	−⅛	$1.40	—	5.0
140p	44p	♥Unilab	127p	.....	—	—	5.0
24⅞	17⅝	Utd. Technologies	21¼	−⅜	$1.60	—	4.1
163p	27p	♥Utilitech Inc.	126p	−7	—	—	—
34⅝	26⅛	US West‖	31⅞	−⅛	$3.52	—	6.1
24⅞	16⅞	Waste Management $1	22¼	−⅛	48c	—	1.2
16⅞	12⅞	Whirlpool $1	13½	+¼	$1.10	—	4.5
21⅛	16¼	Whitman Corp.	17½xd	.....	96c	—	3.0
33⅞	18¼	♥WoolworthA $3½	27⅞	−½	$1.64	—	3.3

CANADIANS

1988 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
309p	141p	♥ABM Gold Corp ‖	142p	−1	—	—	—
32p	7p	♥Abbot Energy Corp.	7p	.....	—	—	—
14¼	889p	♥Amer. Barrick Res.	893p	+3	—	—	—
10p	2½p	♥Amer. Lightwave ‖	3p	.....	—	—	—
47p	7½p	♥Armeno	18p	+2	—	—	—
76p	36p	♥Augmitto Explo.	39p	.....	—	—	—
14⅜	10⅝	Bk. Montreal ‖	12½	.....	$2.00	—	7.3
769p	514p	Bk. Nova Scot. ‖	660p	−1	76c	—	5.2
18¼	15¼	BCE ‖	17¼xd	.....	$2.44	—	6.5
716p	527p	♥Bow Valley‖	592p	−12	♦40c	—	3.1
13⅜	10½	♥Brascan‖	11⅝	+⅛	88c	—	3.4
328p	177p	♥Breakwater Res.	191p	−1	10c	—	2.4
12⅜	801p	Can. Imp Bank‖	11¼	−⅛	$1.16	—	4.7
11½	841p	Can. Pacific ‖	928p	+5	76c	—	3.7
41½	38½	Do. 4pc Deb £100	38½xd	.....	4%	—	10.4
515p	357p	Central Capital "A" ‖	393p	−12	—	—	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

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LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

1988 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
51	38	Peaine Optical 2½p γ	39	......	–	–	–	10.5
60	33	Propeller 1p ...... γ	45	......	–	–	–	21.7
63	58	Restaminster 5p ... γ	58	–1	u1.0	4.3	2.3	13.6
237	150	Royal Sovereign 10p. γ	192	......	†4.6	1.9	3.2	18.0
26	20	Scott Pickford 10p... γ	20½	......	3.1	0.7	20.2	10.6
116	68	Seacon Hldgs. ...... γ	93	......	21.0	–	1.4	–
15½	7	Sonic Tape 2½p .... γ	7	......	n–	–	–	9.2
27	18	Stats Hldgs. 5p .... γ	19	......	–	–	–	22.5
4½	2¼	Swanyard Studios 1p γ	2½	......	n–	–	–	♦
313	200	Takare .... γ	285	......	b1.0	8.1	0.5	29.3
36	26	Tomorrow Leisure 20p γ	28	–1	–	–	–	13.9
25	13½	Tullow Oil 10p ..... γ	18	......	–	–	–	–
135	105	UPL Group 10p ..... γ	110	......	L2.41	4.3	2.9	15.0
182	120	Unit Group .... γ	147	......	F7.5	2.9	6.8	8.4
15	12½	Whitegate Leisure 20p γ	13	......	–	–	–	–
12	6	Do. Wrrnts. .... γ	10	......	–	–	–	–
6½	2	Wilton Group .... γ	5½	–¼	–	–	–	–

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; *bracketed figures indicate 10 per cent or more difference if* calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. *m Interim higher than previous total. n* Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

[illegible]

IRISH

[illegible]

TRADITIONAL OPTIONS

3-month call rates

Industrials

[illegible]

Property

[illegible]

Oils

[illegible]

Mines

[illegible]

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling and dollar improve

STERLING REACTED favourably, although somewhat belatedly, to an encouraging batch of UK economic statistics released yesterday.

Average earnings rose less than expected in October, while unemployment fell by more than most forecasts. The prospect of strong growth and slowing consumer demand brought a mixed reaction from currency traders. Overseas investors are clearly attracted by the high level of return on sterling based investments. It is also prohibitively expensive to run short sterling positions.

However, preliminary data suggest that the squeeze on consumer spending, brought about by the high cost of borrowing, may now be starting to bite. It is argued therefore, that UK rates are more likely to fall, or at best remain the same for the time being.

At the moment, sterling is currently regarded as a little oversold at anything under DM3.18, and this was borne out by yesterday's performance, which saw the pound tracking DM3.18 for much of the day, before it rose to finish at DM3.1950, up from DM3.1800 on Wednesday.

Sterling was also higher against the yen at Y225.50 from Y224.50, but slipped against a rising dollar to $1.8285 from $1.8300. Elsewhere, it finished at SFr2.6925 from SFr2.6800 and FFr10.9300 compared with FFr10.8700. On Bank of England figures, the pound's exchange rate index rose to 77.9 from 77.7 at the start and Wednesday's close.

The tone was partly a reflection of renewed dollar strength, as investors are nursing strong suspicions that the US discount rate may be increased today, partly to re-establish the status quo between US and European rates but, more importantly, to address the problem of rising inflation.

Against this background, the dollar rose to DM1.7480 from DM1.7370 and Y123.35 from Y122.70. Elsewhere, it was higher at SFr1.4725 from SFr1.4650 and FFr5.9775 against FFr5.9400. On Bank of England figures, the dollar's exchange rate index rose from 92.9 to 93.3.

While Mr Karl Otto Poehl, president of the West German Bundesbank, added his weight to the call for maintaining current EMS parities, the D-Mark rose to a record high against the French franc in Paris, and was fixed at FFr3.4195, but there were no obvious signs of intervention by the Bank of France.

However, short-term investors lack the incentive to try and push the D-Mark above FFr3.4200, at least for the time being, and the D-Mark hovered just below this level for the rest of the afternoon. The French franc remains weak, and some regard the Christmas and New Year break as a stay of execution for current EMS parities.

The Japanese yen lost ground against the dollar and consequently showed little change against the D-Mark, the latter also losing ground in dollar terms. The D-Mark finished at Y70.57 compared with Y70.60 on Wednesday.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Dec.15	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.5058	+2.47	+0.84	±1.5344
Danish Krone	7.85212	8.01811	+2.11	+0.48	±1.5404
German D-Mark	2.05853	2.07424	+0.76	-0.87	±1.0981
French Franc	6.90403	7.09264	+2.73	+1.10	±1.3674
Dutch Guilder	2.31943	2.34137	+0.95	-0.68	±1.5012
Irish Punt	0.768411	0.775874	+0.97	-0.66	±1.6684
Italian Lira	1483.58	1536.87	+3.59	+2.60	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Dec.15	Latest	Previous Close
£ Spot	1.8220-1.8230	1.8280-1.8290
1 month	0.52-0.50pm	0.57-0.55pm
3 months	1.46-1.43pm	1.68-1.64pm
12 months	4.25-4.15pm	5.72-5.62pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Dec.15	Previous
8.30 am	77.7	77.6
9.00 am	77.7	77.6
10.00 am	77.7	77.6
11.00 am	77.7	77.5
Noon	77.7	77.5
1.00 pm	77.7	77.5
2.00 pm	77.7	77.5
3.00 pm	77.8	77.8
4.00 pm	77.9	77.7

CURRENCY RATES

Dec.15	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.746435	0.652540
U.S Dollar	6.50	1.35799	1.19415
Canadian $	8.75	1.62972	1.43429
Austrian Sch.	4	16.6992	14.6247
Belgian Franc	7.5	49.7805	43.5058
Danish Krone	7½	9.16915	8.01811
Deutsche Mark	3½	2.37268	2.07424
Neth.Guilder	5.75	2.67931	2.34137
French Franc	9½	8.11467	7.09264
Italian Lira	12½	1749.06	1536.87
Japanese Yen	2½	167.508	146.821
Norway Krone	8	8.82422	7.72315
Spanish Peseta	-	154.403	135.022
Swedish Krona	8½	8.23214	7.21146
Swiss Franc	3	1.99625	1.75122
Greek Drach.	20½	197.621	172.901
Irish Punt	-	N/A	0.775874

*All SDR rates are for Dec.14

CURRENCY MOVEMENTS

Dec.15	Bank of England Index	Morgan** Guaranty Changes %
Sterling	77.9	-14.4
U.S Dollar	93.3	-14.2
Canadian Dollar	83.5	-2.4
Austrian Schilling	136.2	+10.0
Belgian Franc	98.9	-5.6
Danish Krone	89.8	-0.0

FINANCIAL FUTURES

UK figures boost sentiment

THREE-MONTH sterling futures showed an encouraging response to UK economic data released yesterday. Many investors are now fostering the hope that UK bank base rates may be at their peak. It is too early to be unduly optimistic - inflation is unlikely to start falling until the first to second quarter of next year, but preliminary data suggest that the current level of rates may be working to contain consumer demand.

Consequently, the brief rise in cash rates yesterday failed to dent the more bullish tone, and three-month sterling deposits for March delivery ended higher at 87.12, up from 86.92 at the opening and 86.97 on Wednesday.

Long gilt futures were also encouraged by sterling resilience in the face of higher European interest rates.

US Treasury bond futures finished with small losses in relatively thin trading. The prospect of a rise in the Fed discount rate weighed on sentiment.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
90	519	647	3	7
92	325	460	9	20
94	147	316	31	40
96	44	159	128	119
98	15	101	263	225
100	5	32	453	356
102	1	17	649	541

Estimated volume total, Calls 3133 Puts 2606. Previous day's open int. Calls 14426 Puts 14045

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
82	635	637	11	35
84	448	502	24	100
86	308	344	48	142
88	150	238	126	236
90	54	147	230	345
92	23	107	363	505
94	11	43	551	641

Estimated volume total, Calls 5 Puts 113. Previous day's open int. Calls 1982 Puts 3792

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
16500	1200	1480	0	100
17000	702	1084	2	204
17500	256	752	56	372
18000	34	490	334	610
18500	1	300	801	920
19000	0	172	1300	1292
19500	0	92	1800	1712

Estimated volume total, Calls 0 Puts 0. Previous day's open int. Calls 0 Puts 6

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls-settlements Dec	Calls-settlements Jan	Puts-settlements Dec	Puts-settlements Jan
165	1820	1820	0	0
170	1320	1320	0	0
175	820	820	0	10
180	320	363	0	85
185	3	104	187	326
190	0	16	684	738
195	0	1	1184	1223

Estimated volume total, Calls 0 Puts 0. Previous day's open int. Calls 118 Puts 3814

LIFFE EURODOLLAR OPTIONS
£1m points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
8975	76	89	0	6
9000	51	69	0	11
9025	27	50	1	17
9050	5	34	4	26
9075	1	22	25	39
9100	0	13	49	56
9125	0	8	74	75

Estimated volume total, Calls 50 Puts 155. Previous day's open int. Calls 7025 Puts 7948

LIFFE SHORT STERLING

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
8625	55	101	0	14
8650	31	82	1	20
8675	10	65	5	28
8700	1	49	21	37
8725	0	37	45	50
8750	0	27	70	65
8775	0	18	95	81

Estimated volume total, Calls 605 Puts 832. Previous day's open int. Calls 35680 Puts 28869

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.8285	1.8237	1.8129	1.7977	1.7755

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Dec	1.8300	1.8330	1.8278	1.8292
Mar	1.8156	1.8200	1.8136	1.8150
Jun	1.7990	1.7990	1.7986	1.7978

BASE LENDING RATES

	%		%		%
ABN Bank	13	City Merchants Bank	13	NatWestminster	13
Adam & Company	13	Clydesdale Bank	13	Northern Bank Ltd	13
AAB - Allied Arab Bk	13	Comm.Bk.N.East	13	Norwich Gen. Trust	13
Allied Irish Bank	13	Co-operative Bank	*13	PRIVATbanken Limited	13
● Henry Ansbacher	13	Coutts & Co	13	Provincial Bank PLC	14
ANZ Banking Group	13	Cyprus Popular Bk	13	R. Raphael & Sons	13
Associates Cap Corp	12	Dunbar Bank PLC	13	Roxburghe G'rantee	13½
Authority Bank	13	Duncan Lawrie	13	Royal Bk of Scotland	13
● B & C Merchant Bank	13	Equatorial Bank plc	13	Royal Trust Bank	13
Bank of Baroda	13	Exeter Trust Ltd	13½	● Smith & Williamson Secs.	13
Banco Bilbao Vizcaya	13	Financial & Gen. Bank	13	Standard Chartered	13
Bank Hapoalim	13	First National Bank Plc.	14	TSB	13
Bank Leumi (UK)	13	● Robert Fleming & Co.	13	United Bk of Kuwait	13
Bank Credit & Comm	13	Robert Fraser & Ptnrs.	13½	United Mizrahi Bank	13
Bank of Cyprus	13	Girobank	13	Unity Trust Bank Plc	13
Bank of Ireland	13	● Guinness Mahon	13	Western Trust	13
Bank of India	13	HFC Bank plc	13	Westpac Bank Corp.	13
Bank of Scotland	13	● Hambros Bank	13	Whiteaway Laidlaw	13½
Banque Belge Ltd	13	Heritable & Gen Inv Bnk	13	Yorkshire Bank	13
Barclays Bank	13	● Hill Samuel	§13		
Benchmark Bank PLC	13	C. Hoare & Co.	13		
Berliner Bank AG	13	Hongkong & Shangh	13		
Brit Bk of Mid East	13	● Leopold Joseph & Sons	13		
● Brown Shipley	13	Lloyds Bank	13		
Business Mtge Tst	13½	Meghraj Bank Ltd	13		
CL Bank Nederland	13	McDonnell Douglas Bnk	13		
Central Capital	13	Midland Bank	13		
● Charterhouse Bank	13	Mortgage Express Ltd.	¶13.95		
Citibank NA	13	Mount Banking Corp.	13		
		Nat Bk. of Kuwait	13		

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MONEY MARKETS

Nervous undertone

THE RISE in West German interest rates yesterday may force European central banks to take a more active role, if they are intent on maintaining current EMS parities.

The French franc remains weak against the D-Mark, despite a rise in French money market intervention rates on Wednesday evening. The timing of the increase was designed to head off speculative pressure on the French franc, as investors awaited the outcome of the Bundesbank meeting.

UK clearing bank base lending rate 13 per cent from November 25

However, the mood of uncertainty deepened when comments by Mr Jean-Marie Rausch, French foreign trade minister, arguing in favour of a D-Mark revaluation, were quickly followed by a strong defence of current EMS parities, by Mr Pierre Beregovoy, French finance minister.

Initial reaction to the half point rise in the West German Lombard rate included a rise in the Dutch discount rate to 5.75 p.c. and an increase in the Austrian Lombard rate. In addition, the Bank of Italy sold DM60m at the fixing in Milan.

UK interest rates were inclined to take a back seat, as attention focussed elsewhere. The key three-month interbank rate edged up a sixteenth of a point, in deference to the firmer tone in Europe, but came back to finish at 13¼-13⅛ p.c. Although this is a slightly wider spread, it is in effect unchanged from the previous close of 13$\frac{3}{16}$-13$\frac{1}{16}$ p.c.

Short-term money proved to a little expensive towards the close as the market struggled with a forecast shortage of £800m, later revised to £1,050m, and then back to £950m.

Factors affecting the market included repayment of late assistance and a take up of Treasury bills, together with bills maturing outside official hands adding £33m. These were outweighed by Exchequer transactions, which drained £585m, and a rise in the note circulation of £150m. In addition, banks brought forward balances £85m below target.

The Bank gave assistance in the morning of £660m, through outright purchases of £86m of eligible bank bills in band 3 at 12$\frac{13}{16}$ p.c., and in band 4, £10m of Treasury bills and £564m of eligible bank bills, all at 12¾ p.c. Additional help in the afternoon came to £232m, and comprised purchases of £80m of eligible bank bills in band 1 at 12⅞ p.c., £48m in band 3 and £104m in band 4. Late help came to £65m, making a total of £957m.

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec.15) 3 months US dollars		6 months US Dollars	
bid 9¼	offer 9⅜	bid 9⅜	offer 9½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10½
Broker loan rate	9⅝-¾
Fed.funds	8$\frac{11}{16}$-¾
Fed.funds at intervention	-

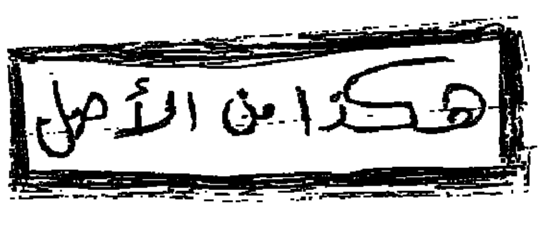
Treasury Bills and Bonds

One month	6.67	Three year	9.22
Two month	8.02	Four year	9.21
Three month	8.38	Five year	9.21
Six month	8.66	Seven year	9.22
One year	9.09	10-year	9.19
Two year	9.21	30-year	9.07

Dec.15	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	4.95-5.05	5.50-5.70	5.50-5.70	5.40-5.60	5.50-5.70	5.00
Paris	7$\frac{11}{16}$-7$\frac{13}{16}$	8-8¼	8$\frac{3}{16}$-8$\frac{5}{16}$	8¼-8⅜	8⅜-8½	7.25
Zurich	3⅞-4⅛	5⅛-5¼	-	5¼-5⅜	-	-
Amsterdam	5.62-5.72	5.70-5.80	-	5.77-5.87	-	-
Tokyo	4.09375	4.71875	-	4.53125	-	-
Milan	11½-11¾	12½-12¾	-	12¼-12¾	-	-
Brussels	4.70	7⅜-7½	-	7$\frac{9}{16}$-7$\frac{11}{16}$	-	-
Dublin	7¼-7½	7¾-8	7⅞-8⅛	8-8¼	8¼-8½	-

LONDON MONEY RATES

Dec.15	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	14	12⅞	13	13$\frac{3}{16}$	13⅛	13⅛
Interbank Bid	12⅝	12⅝	12⅞	13⅛	13	12$\frac{15}{16}$
Sterling CDs	-	-	12$\frac{15}{16}$	13⅛	13⅛	12⅞
Local Authority Deps.	13	12⅞	13	13⅛	13⅛	12⅞
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	13	12¾	12⅝	12⅝	-	-
Company Deposits	-	-	13⅛	13¼	13¼	13
Finance House Deposits	-	-	13	13¼	13¼	13
Treasury Bills (Buy)	-	-	12$\frac{11}{16}$	12$\frac{11}{16}$	-	-
Bank Bills (Buy)	-	-	12$\frac{11}{16}$	12$\frac{11}{16}$	12½	-



WORLD STOCK MARKETS

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FINLAND · FRANCE · FRANCE (continued) · GERMANY · GERMANY (continued) · ITALY · ITALY (continued) · NETHERLANDS · NORWAY · SPAIN · SWEDEN · SWITZERLAND · SOUTH AFRICA · AUSTRALIA · AUSTRALIA (continued) · HONG KONG · SINGAPORE · JAPAN

[illegible]

CANADA

TORONTO

2pm prices December 15

[illegible]

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INDICES

NEW YORK DOW JONES

	Dec 14	Dec 13	Dec 12	Dec 9	1988 High	1988 Low	Since compilation High	Since compilation Low
◆Industrials	2134.25	2143.49	2139.58	2143.49	2183.50 (21/10)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	89.02	89.27	89.37	89.31	91.25 (3/3)	86.12 (4/1)	-	-
Transport	948.88	946.17	947.23	951.30	951.30 (9/12)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	184.45	184.98	185.46	185.04	190.02 (29/1)	167.26 (20/4)	227.83 (22/1/87)	10.50 (8/4/32)

◆Day's High 2149.72 (2151.14) Low 2121.44 (2119.31)

STANDARD AND POOR'S	Dec 14	Dec 13	Dec 12	Dec 9	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite ‡	275.31	276.31	276.52	277.03	282.88 (20/10)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	317.41	318.42	318.43	319.06	327.53 (24/10)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	24.72	25.01	25.13	25.22	26.42 (20/10)	21.51 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	154.72	155.24	155.34	155.59	159.01 (20/10)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	295.00	295.82	296.67	297.61	309.33 (10/6)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	372.77	372.98	374.20	375.20	394.77 (18/7)	331.97 (12/1)	455.28 (26/8/87)	54.87 (31/10/72)

	Dec 9	Dec 2	Nov 25	year ago (approx.)
Dow Industrial Div. Yield	3.71	79	3.82	3.69
	Dec 7	Nov 30	Nov 16	year ago (approx.)
S & P Industrial div. yield	3.15	3.21	3.32	3.31
S & P Indl. P/E ratio	12.80	12.64	12.13	16.39

TRADING ACTIVITY † Volume Millions

	Dec 14	Dec 13	Dec 12
New York	132.380	132.340	124.16
Amex	9.034	8.490	8.330
OTC	117.740	114.141	99.218

NEW YORK	Dec 14	Dec 13	Dec 12
Issues Traded	1,943	1,979	1,968
Rises	633	540	630
Falls	755	863	768
Unchanged	555	576	570
New Highs	19	18	46
New Lows	41	38	32

CANADA

TORONTO	Dec 14	Dec 13	Dec 12	Dec 9	1988 High	1988 Low
Metals & Minerals	2979.5	2980.9	3006.1	3013.8	3226.5 (5/7)	2238.7 (8/2)
Composite	3289.9	3295.8	3295.2	3301.0	3465.4 (5/7)	2977.9 (8/2)
MONTREAL Portfolio	1638.14	1645.58	1644.34	1649.92	1723.71 (5/7)	1305.06 (27/1)

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Interco	4,046,600	30¼	- 1	Caesars World	1,600,900	29½	+ 4¼
First Fidelity	2,670,500	27	- 8½	SmithKline Beckman	1,536,700	50¾	+ 1¾
Inco	2,651,600	32½	----	Detroit Edison (xd)	1,517,600	16⅛	- ⅛
RJR Nabisco	2,022,700	90	- ½	Syntex	1,436,100	42⅝	+ ½
Texaco	1,730,100	52	+ ¼	Interco WI	1,423,300	2⅝	- ⅛

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Dec. 15	Dec. 14	Dec. 13	Dec. 12	1988 High	1988 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1463.3	1457.7	1457.5	1469.4	1657.8 (9/8)	1170.7 (10/2)
All Mining (1/1/80)	665.0	662.9	665.0	674.0	847.8 (9/8)	532.4 (10/2)
AUSTRIA						
Credit Aktien (30/12/84)	218.3	219.3	219.1	219.3	225.48 (4/11)	163.98 (11/2)
BELGIUM						
Brussels SE (1/1/80)	5404.0	5407.2	5405.7	5414.50	5414.50 (12/12)	3608.35 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	254.49	254.29	255.23	257.82	261.07 (6/12)	180.68 (4/1)
FINLAND						
Unitas General (1975)	729.2	730.6	733.0	740.9	772.1 (8/8)	530.6 (15/1)
FRANCE						
CAC General (31/12/82)	(u)	394.7	395.8	396.8	397.2 (9/11)	251.3 (29/1)
Ind. Tendance (31/12/87)	150.2	151.6	152.2	152.9	153.4 (4/11)	89.7 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	530.88	535.58	533.5	535.68	542.21 (27/10)	396.40 (29/1)
Commerzbank (1/12/53)	1592.1	1607.7	1600.3	1607.7	1641.6 (27/10)	1207.9 (29/1)
DAX (30/12/87)	1285.33	1286.61	1290.63	1292.69	1314.98 (28/10)	931.18 (28/1)
HONG KONG						
Hang Seng Bank (31/7/64)	2627.22	2642.08	2651.92	2665.94	2772.53 (12/7)	2223.56 (8/2)
ITALY						
Banca Com. Ital. (1972)	570.37	569.27	572.31	576.08	595.43 (9/11)	423.91 (9/2)
JAPAN**						
Nikkei (16/5/49)	29705.75	29754.73	29597.81	29672.29	30050.82 (7/12)	21217.04 (4/1)
Tokyo SE (Topix) (4/1/68)	2297.36	2301.68	2292.24	2296.15	2314.20 (7/12)	1690.44 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	278.1	277.1	278.6	277.4	285.8 (26/10)	205.7 (4/1)
ANP-CBS Industrial (1970)	245.7	245.0	246.1	244.5	252.6 (31/10)	157.9 (11/1)
NORWAY						
Oslo SE (4/1/83)	440.44	440.35	441.14	438.98	441.14 (13/12)	327.78 (28/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1003.32	1001.30	1002.51	1001.20	1177.87 (8/8)	833.60 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1321.0	1319.0	1336.0	1355.0	1451.0 (7/7)	1154.0 (4/5)
JSE Industrial (28/9/78)	1906.0	1902.0	1901.0	1906.0	1906.0 (12/12)	1387.0 (12/2)
SPAIN						
Madrid SE (30/12/85)	277.23	277.43	277.70	278.09	301.63 (15/6)	225.50 (4/1)
SWEDEN						
Jacobson & P. (31/12/56)	3351.3	3345.4	3344.3	(u)	3351.3 (15/12)	2148.5 (4/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	583.1	588.0	590.3	591.6	591.6 (12/12)	466.6 (13/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	489.9	488.2	489.9	493.8 (6/12)	401.0 (21/1)

**Saturday Dec. 10: Japan Nikkei (c) and TSE (c)

‡ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday 15 December 1988

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Mitsui Eng & Shipbldg	92.6m	821	+25	Nippon Steel	20.9m	920	-8
Nisshin Steel	38.6m	1,240	+40	NKK	20.2m	975	+1
Japan Line	31.2m	580	-54	Mitsui Toatsu	17.6m	870	+10
Hitachi Zosen	27.4m	647	+5	Sumitomo Heavy Ind	17.4m	973	+22
Mitsui Mining & Smelting	22.5m	762	+2	Mitsubishi Cable	14.8m	1,050	+30

3pm prices December 15

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
27⅞	15	AAR	.44	1.9	17	290	23⅞	23	23¾	+ ⅛
10⅛	8¼	ACM n	1.01	11.		37	9	8⅞	8⅞	
12⅛	10½	ACMIn	1.26a	12.		451	10⅝	d10⅜	10½	
10⅛	9⅞	ACM M	n.08e	.8		195	10	9⅞	10	+ ⅛
12⅛	10⅛	ACMSc	n1.26	12.		938	10⅝	10½	10⅝	
10⅛	8⅝	ACMSp	n1.01a	12.		611	8⅞	8⅝	8¾	
6⅜	3⅝	AM Intl				290	5	4⅞	4⅞	
23¼	18⅛	AM Int pf	2	9.3		92	21¾	21½	21½	
55	28¼	AMR			9	2507	54½	53⅝	53½	+ ¼
9½	5⅜	ARX			10	193	5⅝	5⅜	5⅜	− ⅛
54½	35¼	ASA	3a	7.9		514	38⅝	37½	37¾	− ⅞
20¼	12⅜	AVX	.12e	.7	12	98	17	16⅞	16¾	+ ⅛
52⅛	42⅞	AbtLab	1.20	2.6	15	2083	47⅛	46¾	46⅞	− ⅞
21⅞	15⅜	Abitibi g	1			4	16	16	16	
13⅞	7½	AcmeC	.40	5.0		763	8⅛	7⅞	8	+ ⅛
8⅞	5⅞	AcmeE	.32b	5.1	27	9	6¼	6	6¼	+ ⅛
29½	15¼	Acusn			23	702	24⅝	24⅛	24⅝	+ ⅜
17	14½	AdaEx	1.82e	12.		111	15	14⅞	14⅞	
16⅞	7⅛	AMD			15	10636	8¼	7⅞	8⅛	+ ⅛
43½	28¼	AMD pf	3	10.		783	29⅞	29½	29⅝	+ ¼
8½	4¾	Adobe				18	6¼	6¼	6¼	
18½	16⅛	Adob pf	1.84	11.		6	17⅜	17⅜	17⅜	
21⅞	19¼	Adob pf	2.40	12.		7	20½	20½	20½	− ¼
9⅛	5⅞	Advest	.12	1.7	22	13	7	7	7	− ⅛
52½	39½	AetnLf	2.76	5.9	8	1526	46⅞	46½	46⅝	
34¼	21⅞	AflPb s	.22	.7		784	33⅞	33	33	− ¼
16⅝	13	Ahmans	.88	5.7	9	1486	15½	15⅛	15⅜	− ⅛
4⅜	1⅞	Aileen				1	3½	3½	3½	− ⅛
53⅝	33⅝	AirPrd	1.20	3.0	10	1574	40⅛	39¾	39¾	− ¼
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Continued on Page 47

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
17¾	10⅜	Russell	.24	1.5	12	185	15⅞	15⅝	15⅝	
32½	22½	Ryder	.56	2.3	15	513	24⅛	24⅛	24⅛	− ⅛
31½	18	Rykoff	.76	2.5	15	256	30¼	30	30¼	
19⅝	11½	Ryland	.50	2.5	7	500	19⅝	19¼	19⅝	+ ⅛
13½	8¼	Rymer			58	51	8⅞	8¾	8¾	− ⅛
10	7¾	Rymer pf	1.17	15.		95	8	8	8	− ⅛
		−S−S−S−								
34½	29⅛	SCEcp	2.45	7.7	9	1630	32⅜	32⅛	32¼	− ⅛
9½	6½	SCOR U	.10e	1.4	6	225	7⅛	7	7⅛	+ ⅛
10⅝	7⅞	SL Ind	.17b	2.1		6	8⅛	8⅛	8⅛	
45⅞	22	SPSTec	1.20	2.9	28	1	42	42	42	+ ¼
44⅝	29½	SPX Cp	1.20	2.8	16	1164	43⅜	42½	43	
31½	14¼	SSMC			65	15	19⅝	19½	19½	− ⅛
25¼	17	Saatchi	1.04e	6.0	7	1391	17⅜	17¼	17⅜	
13⅞	10⅛	SabnR	1.37e	12.	9	95	11⅜	11¼	11⅜	+ ⅛
17½	11½	SigdSc			8	57	16⅜	16½	16⅝	
35¼	21¾	SaftKn	.30	1.3	21	387	23⅞	23½	23½	− ⅛
9¼	6⅝	SalCos	1.12	13.		74	8½	8⅜	8½	+ ⅛
24½	16	StJoLP	1.40	7.0	9	29	20⅛	19¾	19⅞	− ¼
19⅞	6	Salant				32	17	16⅞	17	− ⅛
88½	65⅝	SallieM	.60	1.0	16	344	63⅞	63	63	− ½
28⅞	17⅝	Salomn	.64	2.5	17	2410	25½	25⅛	25⅛	− ⅛
39½	29¼	SDieGs	2.60	7.0	12	773	37⅝	37⅛	37⅛	− ⅝
8¼	6¼	SJuanB	.27e	3.6	19	569	7½	7½	7½	
14¼	9⅛	SJuanR	2.25e		11	2	12⅛	12⅛	12⅛	− ⅛
33½	25½	SAnlRt	2.08	6.1	19	58	34⅛	33⅞	34⅛	+ 1
18⅝	12⅞	SFeEP	2.85	21.		135	13⅝	13¼	13½	+ ⅛
29⅞	20	SFePP n				247	20⅜	20	20⅜	+ ⅛
29⅞	14¼	SFeSP s				3985	16⅝	16¼	16½	− ⅛

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12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
29⅞	19⅝	XTRA pf	1.94	7.0		3	27¾	27¾	27¾	+ ½
59¼	22⅝	Yorkin			15	25	53½	53⅛	53⅛	+ ⅛
3⅞	2⅛	Zapata				1645	2⅛	d 2	2⅛	
27⅛	13⅞	Zayre	.40	1.6	165	1168	25	24⅜	24⅜	− ⅛
30	13½	Zenith				1007	18⅝	17¾	18⅛	+ ⅛
10¾	9½	Zenin n	.59a	6.1		177	9⅝	9⅜	9⅝	
3⅝	1	vjZenLb				399	1⅞	1¾	1¾	
21⅞	13⅛	ZenNd	.80b	5.0	7	53	16⅛	16	16⅛	
17¼	13	Zero	.44	2.7	14	71	16½	16	16½	+ ⅛
29	16⅞	Zurnin	.68	2.5	16	88	27½	27	27⅛	
11¼	8⅞	Zweig	1.04	10.		218	10⅜	10¼	10⅜	+ ⅛
10⅛	9	ZweigT	n.16e	1.7		395	9½	9⅛	9⅜	+ ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices December 15

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OVER-THE-COUNTER

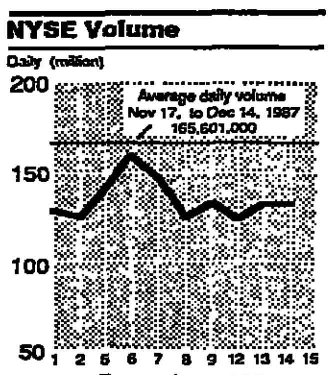
Nasdaq national market, 3pm prices December 15

[illegible]

FINANCIAL TIMES Friday December 16 1988

AMERICA

Greater pressure on interest rates sends Dow lower



Wall Street

SPECULATION that the US Federal Reserve is under more pressure to raise its key discount rate after the increase in the West German Lombard rate yesterday sent stocks modestly lower, *writes Janet Bush in New York.*

At 2 pm, the Dow Jones Industrial Average was quoted 1.60 lower at 2,135.85 in sluggish volume of 78m shares.

This has been a particularly dull week in terms of daily movements in stock prices, in spite of a busy schedule of economic releases and a series of interest rate rises in West Germany, Belgium, France and the Netherlands.

The Lombard rate rise to 5.5 per cent from 5 per cent had been widely anticipated by US financial markets and there was no dramatic reaction to it.

The dollar initially fell sharply, but then recovered to stand higher at midsession on speculation that the Fed would soon follow rate rises in Europe with a discount rate increase. By midsession, the dollar was quoted at Y123.50 compared with an earlier low of Y122.80 and at DM1.7495 compared with DM1.7345 earlier.

Although there has been much speculation in the past few weeks that the US discount rate will be raised, the timing of any move is uncertain and the speculation is rather vague. The dollar has not come under severe downward pressure in the wake of rate rises overseas and, until it does, many analysts believe the Fed will delay making a decision on the discount rate.

There is a great deal of uncertainty about economic prospects, with respected independent forecasters predicting robust growth throughout next year and others warning of a recession in the second half. Various indicators say different things about the economy, with some, for example, suggesting strong consumer demand and some showing demand is flat.

Faced with contradictory evidence on the economy, the Fed may be reluctant to emphasise a tightening move by raising the discount rate. However, the central bank may well decide to initiate another subtle move to force short-term money market interest rates higher.

Yesterday, the Fed failed to operate in the money market in spite of the fact that Fed Funds opened at a very firm 8¾ per cent. This was interpreted by some in the market as evidence that the Fed's target for Fed Funds had been raised, although others cautioned that demand for funds might be strong because banks are anticipating a tightening move.

As the interest rate debate continues to rage, however, there is increasing lethargy in the stock market. The market has risen about 15 per cent this year and institutions and money managers seem increasingly reluctant to jeopardise those gains by being too active in the market given current uncertainties.

Among featured individual stocks was Texaco which fell $¾ to $51¼, erasing some of its gains this week. It said it is planning to renew litigation against Mr Carl Icahn, related to charges that he violated US securities laws. This decision was taken in light of reports that Mr Icahn had been increasing his stake in Texaco recently.

Goodyear Tire & Rubber rose $⅜ to $48⅛. The company said that it would take a $33m charge in its fourth quarter for pension-related expenses.

Grow Group fell $1¼ to $10⅝ after the company denied talk that there might be a settlement of a criminal indictment in connection with a chemical fire, which caused PPG to withdraw from its offer to acquire the company for $16.625 a share.

Semiconductor stocks benefited from a positive assessment of the sector from Merrill Lynch, which raised its investment ratings on four New York Stock Exchange issues.

National Semiconductor added $⅜ to $9½, Texas Instruments gained $1½ to $39⅛, Motorola rose $1 to $40¾ and Advanced Micro Devices added $½ to $8. Texas Air dipped $¼ to $11⅛ after the company said it was omitting to pay quarterly dividends on its preferred stock issues.

Canada

FALLING gold shares narrowly outweighed rising base metals and industrial issues to push Toronto slightly lower in quiet early trading.

The composite index slipped 1 point to 3,289.1 on light turnover of 5.5m shares.

Echo Bay, which said it expected its gold production from a Nevada mine to rise to 225,000 ounces in 1989 from about 100,000 ounces this year, lost C$¼ to C$16⅝.

Noranda, which said it might acquire up to 5 per cent of its common shares over the next year, firmed C$⅛ to C$22½.

EUROPE

Bourses take central bank action in stride

A MOOD of anticipation over the expected West German interest rate rise was followed by a degree of relief that the round of European increases appeared to be complete, *writes Our Markets Staff.*

FRANKFURT spent the session quietly awaiting the Bundesbank's council meeting, with the rise in the Lombard rate by then widely expected even though it ran counter to many brokers' assessments. "The rate adjustments in other markets may have forced their hand," said one analyst.

When the half point rise was announced after hours, German man shares picked up, with buying attributed to the banks. There was a sense of relief that the move was over and a belief that it should be enough to hold rates steady for the time being. A firmer dollar – in spite of the rate rise – helped underpin prices.

Morning trading was thin and the day's total turnover reached only DM2.4bn. At midsession the FAZ shed 4.7 to 530.88 and the DAX closed the day 1.28 lower at 1,286.61.

Siemens featured with a DM5 rise to DM503 and continued to rise as high as DM511 after hours. The stock has been lagging and now appears to be picking up interest on its joint venture plans with IBM, which should give it more access to the US market.

Daimler fell a further DM3.50 to DM732.50 following its DM12.30 drop on Wednesday. Its rumoured capital increase, which took the market by surprise, was seen by brokers BZW as a questionable move, designed more to balance the size of its equity with its increased sales volume, than to finance either a stake in MBB, the aerospace group, or its DM20bn spending plans over the next five years.

PARIS picked up a bit in late trading in response to Wall Street's early gains, and ended off its lows after a session of special interest trading.

The OMF Index closed 3.43 lower at 407.15 and volumes were again estimated at a low FFr1bn. The rise in key French interest rates, which came late on Wednesday, was behind the early fall.

Institut Mérieux was strong, gaining FFr590 to FFr6,090 in very heavy trading of 2,500 shares. One analyst in Paris said the successful development of a flu vaccine – much in demand as the illness makes its rounds in France – was boosting the stock.

Some retailing shares took a beating on indications that the transport strike was hitting Christmas sales badly. Galeries Lafayette lost FFr96, or 9 per cent, to FFr1,101 after the company said on Wednesday its sales had fallen over the past four weeks.

Cérus saw a heavy 178,000 shares traded – or 1 per cent of its market capitalisation – and ended 90 centimes higher at FFr419.90.

MILAN saw volume pick up on the first day of the new account, but prices fell back in late trading on interest rate worries after rising about 1.4 per cent. The Comit index ended 1.10 better at 570.37.

Olivetti fell through L8,000, closing L62 lower at L8,950, before the Oslo bourse said it must offer to buy the remaining shares in Scanvest-Ring, a Norwegian data company, at the price it paid in April for its 51 per cent stake. Olivetti said later it might seek a refund of its "overpayment" for the stake given the disappointing performance of the company.

Telecommunications company Stet, whose fall in the past two weeks has been blamed partly on the planned investigation into share dealings in it and its Sip and Italcable units, rose L40 to L3,675.

AMSTERDAM ended firmly, shrugging off interest rate rises in West Germany and the Netherlands. With a positive mood underpinned by the steady dollar and early gains on Wall Street, the CBS all-share index rose 0.6 to 101.5.

Nedlloyd featured again, rising Fl 4 to Fl 252.20 after reaching a year's high of 254.80.

BRUSSELS had some Christmas cheer in the form of higher share prices for select retail stocks, as investors bought on expectations of good seasonal business. Among retailers, GB-Inno put on BFr8 to BFr1,292 with a heavy 25,000 shares traded and Delhaize climbed BFr30 to BFr4,780.

The cash index eased 3.2 to 5,402.02 amid some bearishness over the 0.25 point increase in interest rates on Wednesday. Another increase is expected following Germany's move.

ZURICH was subdued by the wait from interest news from Germany and ended lower, with the Credit Suisse index down 5.8 to 505.3.

Ciba Geigy bearers eased SFr30 to SFr2,820 on Wednesday's news that the chemicals group was selling its paper subsidiary Ilford. Ciba Geigy registereds fell SFr8 to SFr2,020.

Hoffmann-La Roche benefited from its disposal of Kontron Instruments to an investors group led by Baring Brothers Investors. Its baby certificates added SFr25 to SFr12,100.

MADRID continued its week-long siesta, with a cloud of uncertainty remaining over the market after Wednesday's general strike.

The general index eased 0.20 to 277.23 after a fairly featureless session. The success of the strike raised questions over whether the Government would have to agree to wage rises or make other concessions, and higher wages could mean higher inflation and increased interest rates, said one analyst. "The market won't make up its mind what to do until this question is thoroughly resolved. Until then things are going to remain quiet."

SOUTH AFRICA

THE APPROACH of Christmas and of Friday's holiday combined to keep investors away in Johannesburg. Gold stocks closed mixed in dull trading.

Among the few stocks that moved were Harties, up 50 cents at R25.50; Vaal Reefs, gaining R1 to R261; Elandsrand, 25 cents higher at R17.50; and Kloof, which fell 50 cents to R31.75. The bullion price held steady.

A rise in the platinum price helped related stocks, with Rustenburg rising 25 cents to R49.75 and Lefko picking up 10 cents to R5.75.

Charter Consolidated rebounded after its losses on Wednesday, rising R1.75 to R33.50. The company had reported higher interim profits the previous day.

Industrials closed narrowly mixed.

Speculators take leave of Helsinki

A first-half rally seems to have petered out, writes Olli Virtanen

FINLAND, which successfully made the climb to higher ground in the first half of the year, now seems to have lost its foothold. The speculators have pulled out and reduced the Helsinki Stock Exchange to a "serious investors' club." This is how one analyst recently described the development on the Finnish capital markets.

Since August, trading volumes have dropped from an average FM150m to FM200m ($36m to $48m) a day to between FM50m and FM100m and there has been little movement in stock prices. One recent exception has been Nokia, the leading electronics group, which suffered a steep decline this week as a result of the death of Mr Kari Kairamo, chief executive of the group. Its shares climbed back for the second consecutive session yesterday, but they remain more than 4 per cent below their level before the announcement.

The Unitas general index yesterday fell 1.4 points to 729.2 – a level that is nevertheless 31.1 per cent higher than at the beginning of this year. However, the index's rise largely took place during the first half of this year, when speculative demand by private investors helped boost share prices.

According to some analysts almost half of the turnover of the HSE last year was generated by speculators – usually individuals who traded shares through investment companies which they had established for tax purposes.

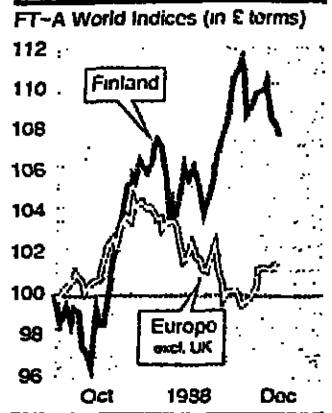
This group of investors has more or less vanished since August, when details of a tax reform were published. The overall effect of the reform is still difficult to measure, but uncertainty about the future has dampened willingness to buy. At best, investors are holding on to the shares they have in portfolios.

The fundamentals of the Finnish economy remain relatively sound. Strong measures to curb inflation may reduce the rate to less than 5 per cent next year and gross national product is expected to grow by 3 per cent. An exports surge in the forest products industries is continuing and company profits are not expected to decline significantly from this year's record levels.

However, foreign investors have more or less pulled out from Finland. Worries about the world economy, particularly about the new government in Washington, tend to steer them clear of marginal countries such as Finland. And even the local investors seem puzzled about the future.

UNION Bank of Finland has set up a Luxembourg-based fund to invest exclusively in Finnmark equity and bond markets, *writes Norma Cohen in London.* The fund, to be known as UBF Multifund-Finnfund, will be offering shares in bearer form at FM1,000 ($244) each.

UBF will run the fund in conjunction with its stockbroking subsidiary, Unitas.



ASIA PACIFIC

Growing worries depress Nikkei

Tokyo

THE POSSIBILITY of a rise in West German interest rates cast a shadow over the market and share prices turned moderately lower in thin volume, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average closed down 48.98 at 29,705.75 against a high of 29,794.69 and a low of 29,678.50. Losers outnumbered gains by 472 to 389 and 200 issues were unchanged.

Turnover, at 801m shares, was substantially lower than the 1.02bn traded on Wednesday. The Topix index of all listed shares dropped 3.98 to 2,297.36 and in London Japanese shares also slipped with the Nikkei ISE/50 index off 2.31 at 1,888.76.

The mood in the market is still quite positive, according to Mr Yoshio Shimoyama of Yamaichi Securities. Although there was concern about a possible rise in West German interest rates, which kept trading subdued, the fall in the Nikkei average came on little selling.

The release of US trade figures on Wednesday did not have much impact. The only response came from the export-related sectors, which had seen substantial gains the day before on expectations of better trade figures and a firmer US dollar. The slight weakening of the dollar meant these issues generally suffered from quick profit-taking.

No new themes emerged to give the market focus and investors continued to be more interested in making short-term gains to position themselves for another year-end run or to keep funds for the new year. Buying interest was concentrated in smaller companies as their prices are likely to see a higher rise.

Attention also focused on speculative issues such as Mitsubishi Cable Industries, which gained Y30 to Y1,050 in active trading. While investors continued to be more interested in quick profits, it was unlikely that large volume stocks would return to favour, analysts said.

Mitsui Engineering and Shipbuilding topped the actives list with 92.6m shares traded and rose Y26 to Y831. The company is not a sector leader in terms of size, but is the sort of stock from which investors can expect substantial increases, helped partly by speculative buying. Sumitomo Heavy Industries also advanced Y22 to Y973.

Nisshin Steel was the second most heavily traded at 38.6m shares, and added Y40 to Y1,240. The sixth biggest steelmaker, it rose against the trend of the larger steels such as Nippon Steel, which fell Y8 to Y920.

Chemicals continued firm on the strength of their better earnings. They also benefited from the preference for lower-priced issues as the sector had generally been neglected for a while. Mitsui Toatsu featured, appearing in the top 10 actives list and firming Y10 to Y870.

Electricals generally fell as quickly as they had risen. Sony dropped Y60 to Y7,030 and Mitsubishi Electric lost Y30 to Y1,030. Matsushita, however, maintained its strength, gaining Y30 to Y2,480.

Japan Line, which had been losing ground for the past few sessions, declined a further Y54 to Y580. It was the third most actively traded stock on 31.2m shares. Japan Line had risen sharply in the initial rally behind low-priced issues and it was then felt to be overbought.

Trading was subdued in Osaka, where the OSE average added a slight 11.52 points to 28,015.55. Interest focused on some shipbuilding issues and speculative issues, such as Mitsui Engineering, which gained Y27 to Y820, and Bando Chemical Industries, which rose Y27 to Y761.

Roundup

THE ASIA Pacific markets had a mixed day with turnover remaining on the low side as pre-Christmas slackness took its toll.

AUSTRALIA gained ground, helped by demand for New Zealand stocks following a recovery in Sydney's sister market.

Among New Zealand stocks, Brierley Investments added 6 cents to 95 cents, Fletcher Challenge rose 4 cents to A$3.20 and IEL found 5 cents to A$1.46. Bell Resources had a special sale of 1.5m shares at A$1.50 but finished at A$1.45.

HONG KONG saw even smaller volumes as holiday season trading took hold, and the Hang Seng index lost 10 to 1,732.40. Turnover fell to HK$512m, or 15 per cent lower than Wednesday's HK$605m.

Hongkong Telecom dropped again, losing 5 cents to HK$4.85.

SINGAPORE saw widespread selling but managed to end slightly higher as gains in speculative and cheaply priced issues negated the selling pressure. The Straits Times Industrial index edged up 2.02 to 1,003.32.

Avimo reported 33 per cent higher profits and rose 22 cents to S$3.30. Wearne Bros, with improved profits and a proposed one-for-five bonus issue, added 14 cents to S$4.92.

WELLINGTON picked up from Wednesday's fall as credit markets rallied on hopes that the sacking of Mr Roger Douglas, the Finance Minister, might lead to a reduction of political tension. The Barclays index rose 45.76 to 1,796.32.

SEOUL fell heavily in wide-spread profit-taking following its sharp advance of the last couple of weeks. The composite index lost 14.09 to 908.47.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of stocks per grouping	WEDNESDAY DECEMBER 14 1988 US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	TUESDAY DECEMBER 13 1988 US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX 1988 High	1988 Low	Year ago (approx)
Australia (90)	142.16	+0.8	115.17	110.67	4.85	141.04	114.39	110.78	152.31	91.16	96.23
Austria (18)	98.04	+0.7	79.43	88.40	2.78	97.36	78.96	88.35	100.00	83.72	95.93
Belgium (63)	134.20	+0.3	108.72	121.45	4.17	133.82	108.53	121.45	139.89	99.14	96.54
Canada (125)	120.65	-0.4	97.74	104.88	3.41	121.08	98.20	105.17	128.91	107.06	108.87
Denmark (39)	155.22	+0.6	125.75	141.55	2.14	154.22	125.08	141.32	159.19	111.42	113.95
Finland (26)	133.44	-0.2	108.11	114.79	1.46	133.74	108.47	115.61	139.83	106.78	-
France (130)	111.11	+0.3	90.01	103.53	3.14	110.77	89.84	103.73	112.34	72.77	86.31
West Germany (102)	87.65	+1.0	71.01	79.15	2.36	86.76	70.37	78.83	88.26	67.78	77.84
Hong Kong (46)	109.42	-0.3	88.65	109.69	4.71	109.73	89.00	109.99	111.86	84.90	82.85
Ireland (18)	131.13	-0.1	106.24	120.06	4.20	131.20	106.41	120.83	144.25	104.60	102.59
Italy (98)	83.67	-0.4	67.79	80.27	2.52	83.97	68.10	80.77	86.73	62.99	77.82
Japan (456)	189.99	+0.8	153.92	147.35	0.51	188.50	152.88	146.67	190.93	133.61	143.77
Malaysia (36)	141.86	+0.0	114.93	146.78	2.89	141.85	115.05	146.80	154.17	107.83	103.73
Mexico (13)	172.45	-1.4	139.71	430.37	1.19	174.99	141.92	436.69	182.24	90.07	107.97
Netherland (38)	110.13	+0.3	89.23	98.60	5.00	109.86	89.10	98.88	111.00	95.23	96.16
New Zealand (25)	63.32	-2.9	51.30	54.12	7.30	65.19	52.87	54.22	84.05	63.32	75.04
Norway (25)	133.70	+0.1	108.32	117.32	2.47	133.63	108.38	117.49	133.70	98.55	96.30
Singapore (26)	119.93	+0.1	97.16	107.08	2.53	119.84	97.20	107.03	135.89	97.99	89.50
South Africa (60)	119.50	-1.5	96.81	98.57	4.70	121.35	98.42	99.16	139.07	98.26	139.00
Spain (42)	150.12	+1.2	121.62	128.28	3.18	148.36	120.33	127.74	164.47	130.73	125.81
Sweden (35)	144.36	+0.7	116.96	128.82	2.22	143.36	116.28	128.51	144.36	96.92	95.00
Switzerland (57)	78.19	-0.2	63.34	71.01	2.39	78.31	63.51	71.39	86.75	74.13	80.58
United Kingdom (316)	133.55	+0.2	108.19	108.19	4.97	133.33	108.13	108.13	141.51	120.66	126.71
USA (576)	112.13	-0.4	90.85	112.13	3.67	112.56	91.29	112.56	115.55	99.19	100.80
Europe (1007)	113.19	+0.3	91.70	97.68	3.84	112.82	91.50	97.69	116.61	97.01	101.50
Pacific Basin (679)	184.72	+0.8	149.65	144.20	0.73	183.33	148.69	143.58	185.81	130.81	139.61
Euro-Pacific (1686)	156.08	+0.6	126.45	125.77	1.64	155.10	125.79	125.39	158.08	120.36	124.40
North America (701)	112.57	-0.4	91.20	111.70	3.65	113.00	91.65	112.12	116.07	99.78	101.23
Europe Ex. UK (691)	100.22	+0.4	81.20	91.39	2.98	99.78	80.93	91.43	101.29	80.27	85.86
Pacific Ex. Japan (223)	121.88	+0.2	98.74	104.37	4.75	121.62	98.64	104 52	128.27	87.51	89.22
World Ex. US (1884)	154.49	+0.6	125.16	124.94	1.72	153.59	124.57	124.59	156.39	120.26	124.01
World Ex. UK (2144)	138.69	+0.3	112.36	121.88	2.05	138.27	112.14	121.78	139.61	111.77	113 89
World Ex. So. Af. (2400)	138.34	+0.3	112.07	120.71	2.29	137.92	111.86	120.61	139.52	113.26	114.86
World Ex. Japan (2004)	113.30	-0.1	91.79	106.47	3.78	113.42	91.99	106.72	115.54	100.00	101.25
The World Index (2460)	138.22	+0.3	111.98	120.56	2.30	137.81	111.77	120.47	139.43	113.37	115.01

Base values. Dec 31, 1986 - 100, Finland. Dec 31, 1987 – 115.037 (US $ Index) 90.791 (Pound Sterling) and 94 94 (Local)

Latest prices were unavailable fo this edition

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SECTION III

FINANCIAL TIMES SURVEY

Britain's television industry faces a dramatic upheaval as the system is opened up to new players, with more choice for viewers. But, while some welcome deregulation, others fear the government's proposed changes may be a recipe for chaos, writes Raymond Snoddy

Britain's Broadcasting Revolution

Free market of the air

WHAT EVERYONE – from the British Government to Mr Rupert Murdoch, chief executive of News International – has dubbed a broadcasting revolution is about to break over the British television industry.

A powerful mixture of technology and the free market principles of Mrs Thatcher, the Prime Minister, is combining to offer an unprecedented number of channels of television to viewers and, over a longer time scale, an opening up of the existing system to greater competition and new players with potentially more choice for viewers.

Together, satellites coming hand-in-hand with a political process of deregulation, will mean changes, at least to the structure and ownership of television in the UK, more dramatic than anything since the arrival of commercial television for the first time in 1955.

What the viewers will make of this new choice available at a price – apart from the cost of new receiving equipment many of the most attractive of the new channels also involve a monthly subscription – will begin to become clear only over the next few years.

The most visible sign of impending change should come on February 5 when Mr Murdoch's Sky Television is scheduled to launch no fewer than six television channels on Astra, the 16-channel satellite launched from French Guiana by the Ariane space rocket earlier this month.

Sky Television will offer two subscription channels, Sky Movies and the Disney Channel as a package at £12 a month and four advertising financed channels – Sky News, a 24-hours-a-day news channel, the existing Sky general entertainment Channel, Eurosport, a 50-50 joint venture with a group of Europe's public service broadcasters including the BBC and a sixth channel showing "classic" movies and arts programming.

Mr Murdoch's all-or-nothing approach is an enormous financial gamble. If the number of Astra receivers sold in the first year were far below 1m, losses could mount alarmingly

Such an all-or-nothing approach is an enormous financial gamble for Mr Murdoch who hopes that 1m Astra receivers will be sold in the first year. If the number were to fall considerably below expectations, the losses of Sky Television could mount at an intimidating rate. Unconfirmed estimates suggest that Mr Murdoch may be budgeting for a $200m loss in the first year of the operation.

Also on Astra will be two channels from W.H. Smith - Television-Lifestyle, a channel mainly aimed at women, and Screen Sport, a European sports channel broadcast in French and German as well as English – and possibly two channels from Mr Robert Maxwell. Other channels on Astra include FilmNet, a film channel now available in the Benelux countries and Scandinavia and two channels aimed at Scandinavia by a company called Scansat.

On an even grander financial scale, British Satellite Broadcasting plans to launch a three-channel system in the autumn using a high power satellite enabling the channels to be received on 25cm to 35cm receivers rather than the 60cm to 75cm dishes needed for Astra.

BSB originally committed £222.5m to the venture and has recently had to raise guarantees of a further £120m from principal shareholders to fund programme acquisition. The consortium will have to find at least another £400m next year. Unlike Mr Murdoch, who is funding Sky himself apart from the relationship with Disney, the financial strain at BSB will be spread among a large number of significant companies including Granada, the Bond Corporation of Australia, Pearson (publishers of the Financial Times) and Reed International.

Soon after launch BSB should, in some form, become a five-channel system. The government has asked the Independent Broadcasting Authority to advertise Britain's remaining two DBS (direct broadcasting by satellite) channels. BSB will apply for the additional two channels but, even if it is unsuccessful, the new channels will almost certainly be carried on the BSB satellite system. As it would not be economic to launch a further high-power satellite for just two channels, irrespective of ownership there are likely to be five complementary channels on the BSB satellite system probably devoted to films, general entertainment, sport, news and music.

Competition between BSB and Sky Television for programming rights, particularly films from the major American studios, has already pushed up prices and led to commitments being entered into for hundreds of millions of dollars.

BSB, through deals with Columbia, Paramount, Universal, Cannon, MGM-UA and Warner, has already committed more than $700m over the next five years.

Yet Mr Christopher Irwin, a senior BBC executive who has been involved with DBS since the days when the BBC was considering a two-channel DBS service, believes that even in six years' time the main terrestrial channels will still have a dominant share of viewing time. He told the Royal Television Society in Edinburgh earlier this month that he estimated by 1994 the BBC1 share of viewing would fall from 36 per cent to 31 per cent, BBC2 from 12 to 11 per cent, ITV (then known as Channel 3) would fall from 41 to 33 per cent, with Channel 4 constant at 9 per cent.

Satellite, cable and local microwave television, a further programme delivery being given the go-ahead by the government, would, Mr Irwin said, together account for 8 per cent of total viewing with a further 5 per cent going to the planned new Channel 5.

If this scenario should turn out to be reasonably accurate, then the harbingers of the broadcasting revolution, the satellite channel owners, could find themselves in a very expensive battle for a relatively small slice of total viewing, at least in the medium term. It would then turn into a battle of deep pockets and iron nerves.

The outcome of the future satellite contest is impossible to predict at the moment but many broadcasting specialists find it odd that at a time of maximum uncertainty the government has produced a radical white paper which, if implemented in its present form, would not only amount to a significant degree of deregulation but involve a complete reconstruction of the commercial television sector.

The Government's rationale is that not only is change inevitable because of technological developments, but it is also desirable.

"Only through change will the individual be able to exercise the much wider choice which will soon become available," the white paper argues.

To achieve extra choice and competition without undermining quality, the government is suggesting that:

□ new broadcasting licences should go to the highest bidder after applicants pass an initial "quality threshold."

□ there should be three categories of licence – national, regional and local – and the ITV companies in future would be pre-eminently regional companies with no obligation to put together a national network as now.

□ the new commercial television companies can be taken over on the Stock Exchange, something that has been blocked by the Independent Broadcasting Authority in the past. However, no one company would be able to own more than two regional licences.

□ the breaking up of the vertical integration of the television industry by promoting internal competition in everything from programme production to transmission.

□ the abolition of the IBA itself and its replacement by the Independent Television Commission which will regulate all commercial television including cable and do it with "a lighter touch."

The commercial broadcasting industry has sighed with relief at the news that the ITC's first chairman is to be Mr George Russell, chief executive of Marley, the building materials group, but also chairman of Independent Television News, deputy chairman of Channel 4 and a former member of the IBA.

So far, Mr Russell has said he sees little wrong with the idea of awarding broadcasting licences by competitive tender but expressed reservations over the idea that the new Channel 3 need not necessarily provide a national network.

This time round, the BBC appears to have emerged virtually unscathed and indeed its role as "the cornerstone" of British broadcasting was formally recognised in the white paper. However, the government has also made plain that it wants, in the short term, to see the BBC experimenting with subscription and the licence fee, now levied on all who have a television set, eventually to be replaced by voluntary subscription.

The white paper's origins lie in the Peacock Report published in July 1986 which recommended many of the changes the government is now proposing, including competitive tendering, although the recommendation was supported by only four of the seven Peacock Committee members.

The government also ignored one central thrust of the Peacock Committee's thinking – that government influence over broadcasting should be reduced and that broadcasters, like newspaper publishers, should simply be subject to the normal law of the land. Instead, the government set up the Broadcasting Standards Council to monitor standards of taste and decency on television and in particular how sex and violence are portrayed.

Another key element in government thinking was a widely praised report on the future of broadcasting by the Home Affairs Select Committee under the chairmanship of Mr John Wheeler. Although the committee recommended many far-reaching changes, such as the abolition of the IBA and a form of regulated tender for ITV franchises, the underlying theme was the maintenance of quality in an age of increasing competition.

"We have been concerned that the structure of British television in the 1990s should build on the achievements to date," the Home Affairs Committee said.

To some extent the committee's concerns for quality have been reflected at least in the rhetoric of the white paper. Channel 3 licence holders will be required not only to show high quality news and current affairs programmes made in the region but "a diverse programme service calculated to appeal to a variety of tastes and interests."

There seems little to prevent Mr Robert Maxwell, who owns three national papers, from bidding for the two largest TV franchises, held by Central and Thames

Opinions about the white paper have divided along somewhat predictable grounds. Many ITV companies fearful of losing their ability to broadcast in a highest bidder auction have been horrified while potential new entrants to broadcasting who have been excluded in the past are completely delighted and argue that more choice and more competition will emphatically not mean the end of all quality programmes on British commercial television.

The City view seems to be one of cautious optimism over the new commercial opportunities about to open up. Stockbrokers McCaughan Dyson Capel Cure in a study published earlier this month said: "It is our belief that the brave new world of broadcasting, which the white paper hopes to create, will not be nearly as injurious to the TV industry as a whole as pessimists have suggested."

The stockbrokers argue that it offers tremendous opportunities for entrepreneurs trying to gain a foothold in the industry and those prepared to invest in them.

Although the firm concedes that some ITV companies will not make it through the auctioning process, potential predators may boost the share price of the sector in the interim.

Yet when all the vested interests have been discounted, a number of serious questions remain.

Will the fragmentation being deliberately introduced into the commercial television system ultimately turn out to be in the interests of no-one – neither programme producers, advertisers nor viewers"?

Certainly Mr Simon Relph, chief executive of British Screen, the body involved in the financing of British-made films, fears the fragmentation could cut off one of his most important streams of revenue – broadcasters investing in film production.

Are the proposed controls on cross-media ownership too loose? As the white paper stands, there seems little to prevent Mr Robert Maxwell, who owns three national newspapers, from bidding for the two largest ITV franchises now held by Central and Thames.

Will the system of giving licences to the highest bidder, combined with the right of takeover, introduce an unprecedented degree of instability into the British broadcasting system?

There will certainly be an enormous amount to play for in the auctions because the winners, if they are not taken over in the meantime, will be able to apply at the end of their 10-year licences for a further 10-year term. This will depend on a satisfactory appraisal and the payment of a renewal fee based on advertising, subscription and sponsorship revenues.

Is it really wise to say that in future cable television network operators will not be able to sell the programmes carried on the network and that this should be left to a new breed of cable retailer?

Mr Roger Marshall, managing director of East London Telecommunications, one of the early cable television operators believes the white paper is a recipe for chaos for the entire broadcasting system.

"If it goes through in its present form, it will all have to be done again in five years," says Mr Marshall, who believes the consequences of auctioning licences to the highest bidder have not been thought through.

National Economic Research Associates (Nera), the US-owned communications consultancy, points out that there are few international precedents for awarding broadcasting licences to the highest bidder although Australia intends to allocate FM radio licences to the highest bidder from next year.

Even in the US, where the process of deregulation has probably gone furthest, licences for the main television stations are renewed in comparative hearings although they can then be bought and sold.

Nera, whose clients include the ITV Association, believes one of the major pitfalls of the proposed auctions "is the danger that bidders will be tempted to make unrealisti-

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CONTENTS

□ *Illustration: Michael Bennett*

Major players in Britain's broadcasting revolution (from left): Douglas Hurd, the Home Secretary; Rupert Murdoch, whose interests span from the Sun to Twentieth-Century Fox and whose Sky Television is due to launch six TV channels in February; David Shaw, general secretary of the Independent Television Companies Association; Mirror proprietor Robert Maxwell, who is expected to seek a TV stake; Richard Dunn, managing director of Thames TV and Richard Burton, chairman of the Cable Authority

BRITAIN'S BROADCASTING REVOLUTION 2

Coping with rapid changes in technology

A new age of deregulation all over the world

ALL OVER the developed world broadcasting is in ferment as governments of every political persuasion try to cope with the stresses caused by the new choices that technology is now able to offer, the effect on the established national broadcasters and the rise of international multi-media empires.

In country after country new media legislation is being introduced and new structures put in place to try to cope with the consequences of rapid changes in technology.

The issues range from attempts to prevent too great a concentration of power in the communication industries in, for example, Australia to debates over whether there should be any commercial television channels at all as in Sweden.

No simple pattern has yet emerged or single model of how, if at all, the new multi-channel world of broadcasting should be regulated.

Virtually everywhere the national public service broadcasters are facing increased competition from both cable and satellite, and more centrally private terrestrial television.

A dramatic illustration of the shift in the balance of broadcasting power came in May when Bertlesmann, the West German publishing group which has a stake in RTL Plus, one of the new satellite channels, outbid West German public broadcasters ARD and ZDF for the rights to show West German league soccer over the next three seasons.

In the UK the political thrust is one of significant deregulation with the aim of achieving more choice and competition without damaging quality. In Italy the drive is towards re-regulation to try to introduce some order into a chaotic broadcasting system.

Deregulation has probably gone furthest in the US and as a result an average American can receive 46 television and 39 radio stations. There are now 75 per cent more television stations and 20 per cent more radio stations than when President Reagan took office.

Rarely has a US administration moved so completely out of an area where regulation was once considered vital. But critical voices are beginning to be heard.

Broadcasting licences, critics argue, are now being traded "like pork bellies," news and current affairs programmes are being reduced and the commercialisation of children's television is on the increase.

"Just about every public interest regulation has been shot off the books," the Telecommunications Research Action Centre, a Washington lobby group argues.

Michel Rocard, the French Prime Minister

In France, where there has been an explosion in the number of television and radio stations, the Socialist government of Mr Michel Rocard has decided to replace the national broadcasting authority, the Commission Nationale de la Communication et des Libertes, the tenth time since the war that the regulatory body has been changed.

Mr Rocard has also launched a series of consultations with broadcasters and politicians to try to define what the role of public television should be in a deregulated environment.

One of France's leading broadcasters, Miss Christine Ockrent, former deputy director general of TF-1, the privatised French first channel controlled by Bouygues, the construction group, and Mr Robert Maxwell, the British publisher, made her views very clear earlier this year.

She told the Edinburgh Television Festival she had resigned because the people who now ran TF-1 did not share her values as a broadcaster to the slightest degree.

Miss Ockrent told how the French broadcasting system had expanded from three to six television channels but offered less genuine choice to viewers because of the rush to win the largest possible audiences. Because all faced the same commercial imperatives, the channels were scheduling the same types of programme simultaneously.

An average American can receive 46 television and 39 radio stations. There are now 75 per cent more television stations and 20 per cent more radio stations than when President Reagan took office

"The costs for the limited amount of programmes available have soared, pumping money into purchases and not into production," Miss Ockrent said, adding she believed the French situation showed the many pitfalls of "ill-considered deregulation."

Critics of unregulated broadcasting see further evidence to support their case in Japan where, apart from NHK, the public service broadcaster funded by a voluntary licence fee, five private national networks compete ferociously for ratings.

According to Ian Rodger, the Financial Times Tokyo correspondent, "their programming is notorious for being fatuous and is often violent and mildly pornographic."

Most programming on the commercial channels, he says, consists of endless chat shows, popular song contests and quiz programmes, although there are also well-made dramas and high quality news programmes.

A new television age is also about to dawn in Spain. Under legislation which passed both houses of the Spanish Parliament in May the Government is proposing to license three new private channels which will compete with the existing national and regional channels.

Mr Maxwell is expected to be involved in some way in the applications next year for the new 10-year licences, although the Spanish Government intends to keep tight control. No-one, whether Spanish or foreign, will be able to own more than 25 per cent of a private network.

The ferment can also be seen in Scandinavia even though Sweden appears to be trying to hold out against the forces of private television.

In Denmark this autumn the country's first commercial channel was launched, deriving two-thirds of its finance from advertising and the remainder from the licence fee.

In Norway there are proposals to launch a second public service channel, partly funded by advertising, in the early 1990s.

Even in Sweden the pressure for change will soon intensify with Astra, the Luxembourg television satellite, planning to beam two channels in Scandinavian languages.

It could be well into the mid-1990s before a new balance is struck between traditional broadcasters and new; between the forces of deregulation and regulation; and a new, probably very different equilibrium, is established.

Raymond Snoddy

ARIANE LAUNCH

A lift-off for 1989, 'the year of the dish'

THE EYES of the entire British television industry were on French Guiana last Friday for the latest launch of the Ariane space rocket.

After a delay of 24 hours because of minor technical faults, the rocket carried into preliminary orbit a satellite called Astra, capable of broadcasting 16 channels of television direct to viewers' homes over much of Western Europe.

It is too early to say yet whether the launch will mark a turning-point in the history of television, a venture which will shake existing broadcasting structures to their foundations or something that will be absorbed as a provider of useful but unspectacular extra choice. But it is now clear that although the ambitions of SES, the Luxembourg company behind the privately financed satellite project, are European, the main impact of the service will be on the UK. At least nine of the 16 channels and possibly more will be in the English language and some of them will be aimed specifically at the UK market.

Mr Rupert Murdoch, chief executive of News International and owner of five national newspapers in the UK, has taken one of the largest gambles of a colourful career by launching simultaneously no fewer than six television channels, either by himself or through joint ventures on Astra under the Sky Television banner. From February 5 a British viewer willing to spend around £250 for receiving equipment which includes a decoder and a dish aerial 60cm in diameter will be able to more than double the four national television channels now available.

Four of the new channels will be "free" to the consumer and financed by advertising. They are an upgraded version of Sky, the existing general entertainment channel; Sky News, a 24-hours a day news channel; and a channel of arts programming in a joint venture with a number of European broadcasters including the BBC, Eurosport, a specialist sports channel. On these channels the News International chief executive has promised to undercut the advertising rates of ITV by at least 25 per cent.

In addition, soon after the launch, Mr Murdoch will offer, in a joint venture with the Disney Company of the US, two pay television channels. One is Sky Movies, a film channel which will have exclusive pay television rights to films from Twentieth-Century Fox, Mr Murdoch's US film studio and Touchstone Films, Disney's contemporary film-making arm and many new films from Warner Brothers. The other will be a Europeanised version of the Disney Channel from the US which went on to US cable networks in 1983 and now has more than 4m subscribers.

The Ariane rocket, launched last Saturday, sending two telecommunications satellites into orbit

Together, Sky Television and Disney will bring "a new dimension of quality entertainment to British TV screens, a market used to quality programming," Mr Murdoch said recently. The two pay channels will be available as a single package for £12 a month.

Mr Murdoch hopes his six-channel package will persuade as many as 1m consumers to buy receivers in the first year – a figure that most observers think is very ambitious. The receiving equipment is not expected in the shops until January at the earliest. According to some estimates the first year losses of Sky Television could be as high as £200m, although Mr Murdoch declines to say what his financial projections are.

At the same time W.H.Smith Television, the television subsidiary of the retail and distribution group, will be moving its two existing satellite channels, Screen Sport and Lifestyle, to Astra so that they can be delivered direct to homes as well as to cable television networks. The W.H.Smith channels will be subscription channels and, unlike Mr Murdoch who will use the existing television standard PAL, Screen Sport and Lifestyle will move to the more sophisticated D-MAC standard as soon as the chips are available in quantity.

Mr Robert Maxwell has said he intends to take transponders on Astra but no agreement has yet been signed.

There is a real dilemma for channel operators, however. Unless the number of people with individual receivers grows relatively quickly, they will merely be adding to their losses by leasing capacity on the more expensive Astra satellite. When British consumers are just starting to absorb the fact that they can have perhaps a further 10 television channels, British Satellite Broadcasting, the UK's direct broadcasting by satellite service will launch its three channels of television.

The first of two BSB satellites will be launched on a McDonnell-Douglas rocket next August and should begin broadcasting in September. BSB, whose main shareholders include Granada, Pearson (publishers of the Financial Times), the Bond Corporation and Reed International, raised an initial £225m, and has recently guaranteed an extra £120m to pay for acquisition of film rights.

BSB always envisaged raising a further £400m next year. It will want to stand out from the Astra channels which have in turn been pushing up the cost of programme acquisition. BSB plans a subscription film channel and has already acquired the right to show several important packages of films from major US studios.

In addition, there will be both a general entertainment and news and live events channels financed by advertising. Before too long there should be five DBS channels which will all be able to be picked up on BSB's 25cm flat "squarials" or 35cm dish aerials. The Government recently decided that the Independent Broadcasting Authority should advertise Britain's last two DBS channels in January.

BSB will benefit, whoever wins the channels. Their existence should stimulate BSB receiver sales and BSB should be able to lease spare capacity on its two-satellite system. As Mr Timothy Renton, Home Office minister responsible for broadcasting policy, said recently: "1989 is going to be the year of the dish."

Raymond Snoddy

SATELLITE TELEVISION

Level of demand still causes concern

EARLIER THIS month an Ariane rocket took off from its launch site in French Guiana and successfully placed the Astra direct broadcast satellite in orbit. That launch will mean a permanent change in television viewing habits throughout Europe.

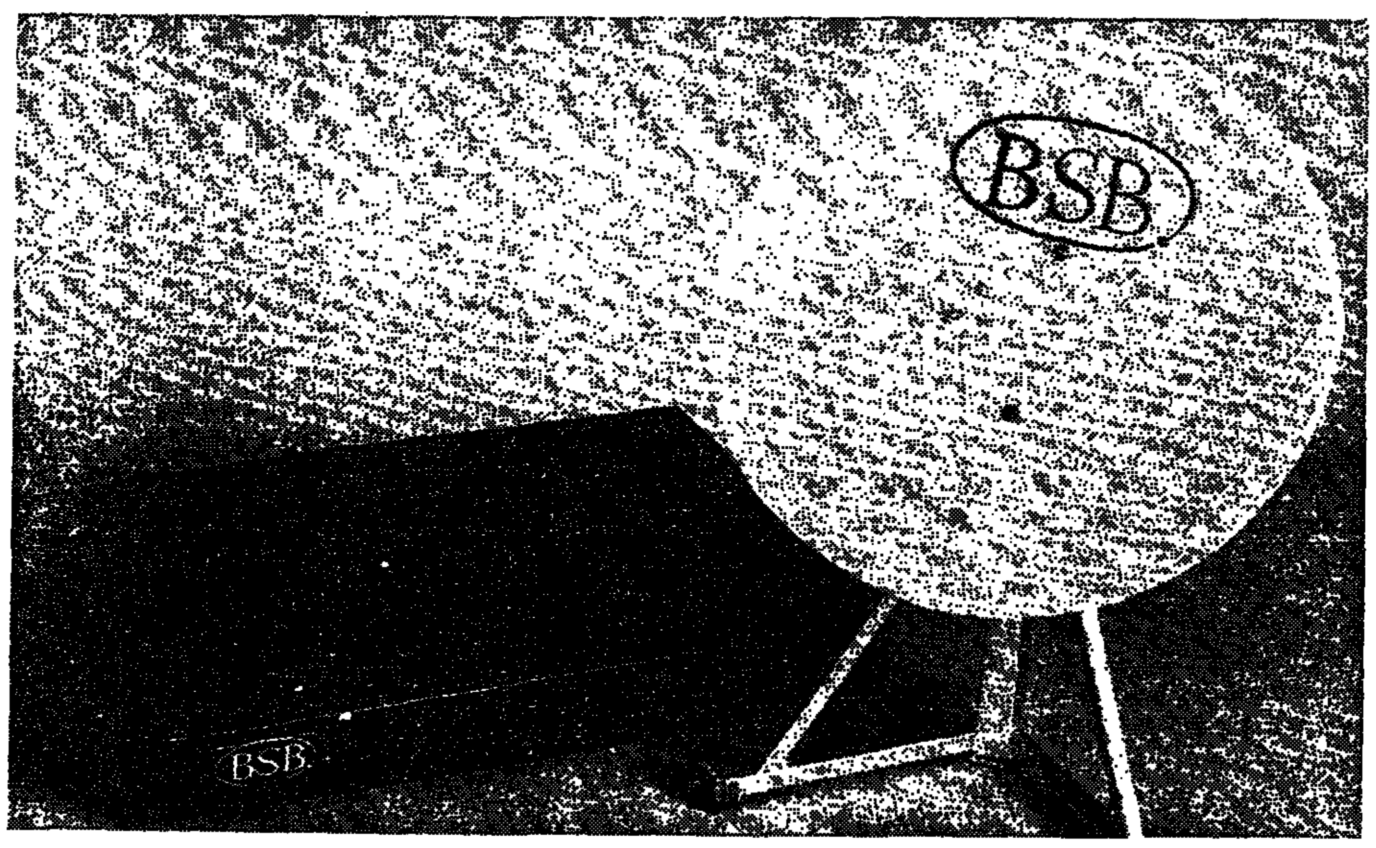
The success of satellite television is crucial both to the satellite operators and broadcasters, who have invested in the launches and programming, and to the electronics companies that are developing the equipment for consumers. As today's television sets are not equipped to receive satellite television signals, satellite dishes and extra boxes of electronics are needed to pick up and interpret them.

All the major European television and electronics companies – from Thomson and Philips to Amstrad and Sinclair Research – have announced their plans for developing suitable receiving equipment. But whether the market will justify their optimism remains to be seen.

Market projections for satellite receiving equipment vary widely. Mr David Chance, UK marketing manager for Astra, is naturally optimistic. He predicts that 40 per cent of the UK's 21m households will be watching satellite television by 1996, and by the end of 1989 as many as 750,000 households will be watching Astra television programmes. More gloomy forecasters say it will take up to year 2000 to persuade 750,000 households to watch satellite television.

The divergence in opinion is due to more than the uncertainty of satellite technology, the novelty of the market and the quality of television programmes. One over-riding concern is that different types of transmission signals will be used to beam the programmes down to the consumers, and as a result different equipment will be needed to receive programmes from different satellites.

That means that at best manufacturers will not get the economy of scale they need to bring down the cost of the equipment. At worst, consumers could be so confused by the different products that they will decide not to buy any at all.



A BSB receiver set indicating the size of antenna (30cm), and receiver box needed for direct reception from BSB in the UK

The UK is set to be the testing ground for the rest of Europe in satellite television. By the end of next year, television viewers in Britain will be able to receive at least 11 additional television broadcasts via two satellites, the recently-launched Astra one, which is owned by a Luxembourg-based consortium, and one due to be launched by British Satellite Broadcasting (BSB) next summer. (BSB is part-owned by the Financial Times).

On the Astra satellite six out of the available 16 channels will be targeted at the UK. Sky Television, in which Mr Rupert Murdoch's News International has a majority shareholding, will broadcast on six of those.

It has chosen to use a transmission system called Pal (Phase Alternate Line). Pal is used on all terrestrial television broadcasting by the BBC and Independent Broadcasting Authority (IBA) in the UK, and in most European countries.

To receive all the programmes broadcast to the UK by satellite, consumers will have to buy at least two satellite receiver dishes. And Europe has adopted yet another transmission system

Because Pal is in such widespread use, the receiving equipment can be made quickly and cheaply. Sir Clive Sinclair's Cambridge Computer, for example, is offering equipment to pick up Astra programmes at under £150.

W. H. Smith Television, which is leasing two of the Astra channels, has also chosen Pal, but will change to a newer broadcast system called Mac (Multiplex Analogue Components) when receiving equipment is available. Equipment for receiving Mac broadcasts will be more expensive than for Pal and will not be available until the middle of 1989. Mac has been developed by the IBA in the UK specifically for satellite broadcasting, and because BSB is licensed by the IBA it has been required to use Mac.

The Mac standard will give a slightly better picture quality than Pal, but its main advantage is that it uses the digital language of computers, and so it is far easier to make the signal secure to prevent unauthorised viewing. That is done by encrypting (or scrambling) the picture and sound for broadcast.

Encryption is a key issue for companies that want to charge consumers for watching their programmes. BSB will charge for all three of its channels, and W. H. Smith will begin charging when it introduces a Mac system – until then the programmes will be free. Initially, Sky Television had intended to offer all four channels free of charge, but has now announced that it will charge for at least its film channel.

Consumers will also have to buy at least two types of satellite receiver dish if they want to receive all the programmes broadcast to the UK by satellite. That is because Astra has chosen a comparatively weak transmission signal, which gives 14 channels of television which need relatively large dishes to pick them up (around 60 cm in London). BSB, on the other hand, has opted for a high-powered satellite, which means only five channels can be broadcast, but the receiving dishes are small (a square 25 cm dish).

Decisions taken by the French and German governments mean there will be at least one other transmission standard in Europe for the foreseeable future as well. Both France and Germany have standardised on a variant of the Mac transmission system, but one which is different from that adopted in the UK. They have opted for D2-Mac which has a narrower bandwidth than the UK system, so it is easier to feed the signals into cable television networks, which are widespread in France and Germany.

The French government has already launched its first broadcast satellite, TDF-1, and plans to launch a second in 1990. The German Post and Research Ministries will launch their TV SAT-2 in the middle of next year.

Mr Anthony Davey, associate director of projects at CIT, the UK market consultancy firm, believes the situation will be a re-run of that which developed with competing videorecorder (VCR) systems – but with an extra twist.

With VCR equipment there was initial confusion between the three systems, but consumer demand was high enough to support sales of three systems until the market finally standardised on one, VHS. With the satellite television industry Mr Davey warns that market demand may well not be high enough, and all the satellite operators will suffer.

Della Bradshaw

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THE WHITE PAPER

More choice 'will not mean lower standards'

PROPOSED PROGRAMME OBLIGATIONS FOR INDEPENDENT SECTOR TELEVISION SERVICES

Requirement	Channel 3	Fourth Channel	Channel 5	Future DBS services	Other Sat services	Local services
Consumer protection	Yes	Yes	Yes	Yes	Yes	Yes
News and current affairs	Yes	Yes	Yes	No	No	No
Diverse programme service	Yes	Yes	Yes	No	No	No
Regional programming	Yes*	No	No	No	No	No
Educational programming¶	No	Yes	No	No	No	No
Minimum 25% of original programming from independent producers	Yes	Yes	Yes	Yes	No	No
Proper proportion of programme material of EC origin	Yes	Yes	Yes	Yes	No	No

* May not apply to night hours and any breakfast-time licences; ¶ In addition, the ITC will have a duty to plan and arrange for provision of schools programmes by independent TV

Source: Home Office White Paper, November 1988

EARLIER THIS autumn Mr Douglas Hurd, the Home Secretary, promised that his white paper on the future of British broadcasting would be coherent, comprehensive and controversial.

The document that finally emerged last month certainly turned out to be comprehensive. Although the debate is still going on about just how coherent it is, few will question that Mr Hurd has kept his promise to produce proposals that are controversial.

The stated aim is to place the viewer and listener at the centre of broadcasting policy, to open doors so that individuals can choose for themselves from a much wider range of programmes and types of broadcasting.

As in other fields, there will be safeguards to protect viewers from shoddy wares and from exploitation, and programme standards on good taste and decency will be maintained.

The government has made it clear it believes that, with the right enabling framework, a more open and competitive broadcasting market can be attained without detriment to programme standards and quality.

The legislative proposals to provide greater competition and choice in broadcasting involve many radical changes to Britain's existing broadcasting system.

Perhaps the most dramatic – and controversial – is the new way of allocating scarce broadcasting resources access to the airwaves. Until now, the Independent Broadcasting Authority has admittedly taken financial competence into account when considering which group should win a radio or television franchise. But, in the end, the decision was based mainly on an assessment of the applicant's programme plans.

In future, broadcasting licences will be awarded to the highest bidder after applicants have passed a basic quality threshold and satisfied the new Independent Television Commission, the body which will regulate all commercial television, on matters of ownership and European Community status.

The intention is that the ITC should enforce programming obligations on licence holders strictly with the power first to warn broadcasters of breaches and then, if necessary, revoke their licences.

Such commercial licences will fall into three basic categories – national, regional and local. There will be two main national commercial networks in future – Channel 4 and a planned new Channel 5, due to begin broadcasting in 1993. Channel 5 will, however, never truly be national with engineers predicting it will be able to reach up to 70 per cent of the country. Even then, many viewers will need a new aerial to be able to receive it.

The role of the ITV companies, regional companies which at present combine to offer a national network with opt-outs for local programmes, seems destined to change dramatically.

The government has decided that the ITV companies will in future be pre-eminently regional broadcasters and any networking or programme syndication arrangements will be a private matter for them. The concept of local television licences is to be expanded greatly from the present cable television franchises awarded by the Cable Authority, a regulatory body which will also disappear.

A new local licence holder will be able to use cable or MVDS (microwave) or a mixture of both to transmit many channels of television to local areas.

The freedom to use MVDS – the broadcasting of as many as 30 channels using high frequencies and local land-based transmitters to special aerials on individual homes – is an indication of another important change in the government's approach to broadcasting. A variety of available technologies can be used and all pretence at giving official encouragement to a particular form of technology or to the creation of the most sophisticated interactive two-way cable television networks has now been formally abandoned.

Within a few basic rules licence-holders will be able to decide which technology is most appropriate for them commercially.

"Government should not try to pick winners. There is no question of betting with public money on any of the opportunities now opening up," the white paper points out, although it does go on to concede that the timing of change is important and that there should be an orderly transition to a genuinely competitive consumer market.

"Government should not try to pick winners. There is no question of betting with public money on any of the opportunities now opening up"

Takeovers of broadcasting companies, now barred by the IBA, will in future be possible, although no group will be able to control or have an interest in more than two of the Channel 3, 4 and 5 licences – only one if a national service is involved.

The government is also proposing a greater diversity of funding methods for broadcasting in the UK. The commercial television licence holders will be able to be funded by advertising, subscription and sponsorship.

The BBC will not be able to carry advertising but the rules on accepting sponsorship money for arts and sporting events will be relaxed and the corporation has been told firmly to start experimenting with subscription which should eventually replace the licence fee.

Another important thread running through the white paper is the desire to break up the present vertically integrated nature of the broadcasting industry to create greater internal competition between its constituent parts.

The most dramatic example of this has been the official encouragement for independent producers, a group which will provide in future a minimum 25 per cent of original programming shown on British television.

The strong desire for internal competition is also expressed in the large number of broadcasting licences due to be issued and the business opportunities this will give to new entrants to the industry. Apart from the large number of local licences on offer there will be at least two separate night-time franchises and Channel 5 will be offered in the form of several segments of hours each day.

In addition, the government wants to separate, through privatisation, transmission from service provision. The logic is remorsely pursued to the cable industry, where in future the new local licence holders will own the network but will no longer be allowed to retail the programme services carried on it.

The government also places considerable emphasis on the future growth of direct payment for television programmes and has made it clear it would like to see the BBC licence fee eventually replaced by voluntary subscription.

The white paper argues that the proposals for a new enabling framework for the expansion of British broadcasting, although radical, preserve strong elements of continuity.

"Our broadcasting system has had notable successes. One of the government's main objectives is to enable it to maintain and strengthen its quality, diversity and popularity," the white paper says.

The debate now under way in the run-up to legislation will centre on whether the effect of the government's proposals would not be to undermine those very objectives.

Raymond Snoddy

PROSPECTIVE ADDITIONAL TELEVISION SERVICES*

Year	Delivery arrangement	Number of TV channels
1989	Astra** (medium powered satellite)	16
1989	BSB (DBS)	3
1990 or later	4th and 5th UK DBS channels	2
1990	Eutelsat II** (medium powered satellite)	16
1991 onwards	New local§ franchises (cable/MVDS	Multiple§
1993	Channel 5 (UHF)†	1

*Table does not show separately existing television services now receivable via cable systems or direct from low-powered satellites.
**May include existing services mentioned in Note 1.
§Will permit delivery by MVDS as well as cable. May include some existing and prospective services.
†National channel with 65-70 per cent coverage and different licensees for different times of day. The technical feasibility of a 6th UHF channel is now being assessed.

Source: Home Office White Paper, November 1988

Why there is a mood of crisis

Auction plus levy on revenue worries ITV companies

THE FUTURE has never looked more uncertain or more difficult for Britain's 15 ITV companies. Although the money from their regional television advertising monopolies is still flowing in almost embarrassing amounts and every single company is profitable, the mood is one of crisis.

In the course of next year the ITV companies could face competition from as many as 12 new English language commercial or subscription satellite television channels. That, however, they believe, is competition they can take in their stride.

For most ITV managing directors the biggest threat comes not from space but from the government, and it is a potential threat to their very existence as broadcasters.

As Lord Thomson of Monifieth, the chairman of the Independent Broadcasting Authority, warned recently, Britain's system of public service broadcasting is more likely to be damaged by new ideas in Westminster than by new services from outer space.

The new ideas include awarding future broadcasting licences to the highest bidder, after a basic quality test. The auctions are a reflection of the government's determination to find a more objective way of awarding franchises than the arbitrary and opaque decisions of the IBA in the past.

The companies were already bracing themselves for competitive tendering, but were shocked to find out that in addition the winners faced a continuing progressive levy on their revenues throughout the 10-year period of the new broadcasting licences.

In theory, all the existing ITV companies could lose their right to broadcast by being outbid, although in practice that is extremely unlikely to happen.

But Thames Television, the largest of the ITV companies, is already making contingency plans. The company is booking a channel on the second Astra television satellite due for launch in 1991 so that, even if the worst happens, it can continue to broadcast in some manner.

Other major companies are hinting darkly that the combination of auction and revenue levy may combine to make a new regional broadcasting licence unattractive and that it might make sense to go voluntarily offshore by leasing a satellite channel from either Astra or Eutelsat, the European satellite organisation, and broadcast all over the UK without having to worry about auctions or the rules of the new Independent Television Commission.

The ITV companies are also having to come to terms with a redefined role. At the moment the 15 companies combine to produce a national network, with the seven largest companies making most of the national, as opposed to local programmes, and there are inbuilt subsidies to help support the smaller companies.

The government sees the ITV companies and their successors primarily as regional companies with no obligations to combine into a national network. The extent to which they do form a network or syndicate programmes to each other will be a matter of judgment.

The surviving ITV companies will also face the danger of takeover because the ITC will not have or need the IBA's present powers to block takeovers.

As one company is able to own two regional franchises, seven or eight companies could eventually control what is to be known as Channel 3 in future. Under the existing terms of the white paper a national newspaper proprietor who is a European Community citizen could own two ITV franchises provided he does not own local newspapers in the areas involved.

Mr Robert Maxwell, publisher of three national newspapers, has already said he intends to bid for the Central licence next time. If he were also to bid successfully for Thames, it would give him a 35 per cent share of ITV and with it considerably enhanced media power.

The government has also decided that in future Channel 4's advertising will be sold separately from ITV. At the moment Channel 4 is a subsidiary of the IBA, the ITV companies sell its airtime with their own and pay an annual subscription to fund both Channel 4 and the Welsh Fourth Channel based on 17 per cent of net advertising revenue.

Talks will, however, continue for the next year on whether Channel 4 should be privatised, be a non profit making subsidiary of the ITC, or be linked with the new Channel 5.

The other big change for ITV is the removal of many of the formal public service broadcasting obligations.

Channel 3 will, however, have to show regional programming, high quality news and current affairs dealing with international as well as national affairs, and provide a diverse programme service calculated to appeal to a variety of tastes and interests.

Lord Thomson has attacked the limited nature of these obligations compared with current ones.

There is, astonishingly, no mention of the need to continue religious programming. There is no obvious peg in the text of the government's proposals on which to hang documentaries, drama or science and children's programmes. Most striking of all, it will not be any part of the positive duty of the ITC to promote a national spine of network programming, Lord Thomson said in a valedictory address as IBA chairman.

The ITV companies are trying to put together a considered response to the government proposals – a response that has to be submitted by the end of February. Mr David Shaw, director of the ITV Association, the industry trade body, believes that ITV will argue against licence auctions, a revenue levy and separate selling of Channel 4's airtime although different companies view the white paper in very different lights.

"It is an extremely destructive weapon against the existing ITV system. It blatantly puts so much at risk and we don't know whether what they are bringing in will work or be better," Mr Shaw argues.

Mr Leslie Hill, managing director of Central Independent Television, the second largest of the companies, takes a rather different line. Although he expressed reservations about the impact of auctioning and separate selling of Channel 4 airtime, he nevertheless welcomed the white paper.

Mr Hill, who has frequently said he wants ITV to be able to operate as a proper business, says he wants the Independent Television Commission to be set up as soon as possible.

For most ITV companies the emphasis is on how best to try to keep their franchise. Almost by the week the companies announce plans to divide their operations into separate cost centres combined with plans for job cuts.

Companies such as Yorkshire plan to build up a cash pile for the bids to come. Others, including TVS Entertainment, the South and South-East contract holder, have concentrated on international acquisition in the television industry, such as the purchase of MTM, the US independent producer of programmes such Hill Street Blues and Lou Grant.

Still other ITV companies are looking at the possibility of management buy-outs.

The only certainty now for the ITV companies is that they are now inevitably facing the most dramatic period of change since commercial television was founded in the UK in 1955.

Raymond Snoddy

Lord Thomson, retiring IBA chairman: uneasy about TV's future

The Independent Television Commission will not have the power to block takeovers: one company will be able to own two franchises

THERE WERE many sighs of relief among senior executives at the BBC when they read the chapter on the corporation in the government's white paper on broadcasting.

Compared with the commercial television sector the BBC – despite being essentially a public rather than a private sector body funded by the licence fee, which many see as a regressive tax – emerged virtually unscathed.

There was one painful proposal, which some believe verges on the vindictive, that the BBC should lose the night hours, probably between 1am and 6am, on one of its two television channels and that they should be handed over to the new Independent Television Commission which is to replace the Independent Broadcasting Authority for commercial use.

But the future for the BBC could have been so very much worse given that only a few years ago the corporation appeared to be at loggerheads with Mrs Thatcher's government.

Indeed, the government accepted that the BBC had a special role and said it would continue to be expected to "provide high quality programming across the full range of public tastes and interests, including both programmes of popular appeal and programmes of minority interest and to offer education, information and cultural material as well as entertainment."

It is almost as if the BBG itself wrote the definition.

The Government even went further and accepted into the white paper the opinion of the Home Affairs Select Committee report on broadcasting which said the BBC "is still, and will remain for the foreseeable future, the cornerstone of British broadcasting."

Clearly, however, the government is keen to ensure that the "cornerstone" does not become complacent and that the most strenuous efforts should continue to be made to increase cost effectiveness.

The government recognises the efforts already made under Mr Michael Checkland, the BBC director-general and a management accountant by profession, and his chairman, Mr Marmaduke Hussey, to tighten the corporation's managerial structure and shift more resources into programmes.

"There is scope for further progress," the white paper says laconically.

Indeed, considerable financial pressure has already been deliberately applied to the BBC by the government. Until 1991 increases in the licence fee will be linked to the retail price index despite the fact that broadcasting costs tend to increase at a rate which is several percentage points above the RPI because it is so people-intensive and increasingly because of the growing competition for both programme rights and performers.

If pressure on the licence fee is one aspect of the government's policy towards the BBC, another longer-term goal is the total replacement of the licence fee by voluntary subscription.

Mr Douglas Hurd, the Home Secretary, has repeatedly made clear his belief that "the licence fee is not immortal" but he did accept the view of consultant Mr Charles Jonscher that in the foreseeable future it was not a practical matter for either BBC1 or BBC2 to be funded entirely by subscription.

Mr Jonscher, now a vice-president with consultants Booz Allen and Hamilton, argued that after the costs of new technology had been deducted BBC1 could raise net revenues from subscription of around £250m – half the channel's present funding.

The government has made it clear, however, that it still looks forward to the eventual replacement of the licence fee although the timing will depend on the experience gained with subscription services in the UK over the next few years.

The BBC is to be given a financial incentive to move towards subscription.

"The government intends after April 1991 to agree licence fee increases of less than the RPI increase in a way that takes account of the BBC's capacity to generate income from subscription," the white paper says.

Curiously, the proposal to take away one of the BBC's night-time channels could actually inhibit the development of subscription services. Already British Medical Television is paying the corporation around £1m a year for the transmission in the middle of the night of a specialist news programme for doctors. Yet the BBC has been warned that it can keep its second channel in the early hours only if it is used for the fullest possible development of subscription.

It is difficult to see how the BBC will be able to do this and broadcast important late-night events such as general elections and by-elections, and everything from the US presidential elections to the Olympics.

The BBC has, however, been put on notice that the government intends to conduct a thorough review of its role, presumably including its financing, in the run-up to the re-negotiation of its Royal Charter in 1996.

Despite the obvious longer-term threats, Mr Hussey, who recently made it clear he felt "miffed" that the government was planning to take a night-time channel, promised that the BBC would face competition with high quality and not chase ratings down-market.

"We are faced with one of those rare but gratifying strategic opportunities when both our highest moral principles and clear commercial advantage coincide," Mr Hussey said.

Apart from the government's ideological attachment to subscription, the greatest threat to the BBC's present method of funding comes from competition for viewers.

If a significant part of the audience were to desert the BBC, which now gets about 47 per cent of total viewing, for the new satellite channels, the concept of a universal licence fee could be undermined.

Some broadcasting specialists, however, argue that unless the BBC is deliberately undermined as an act of public policy it could be strengthened in future – as the commercial audience is fragmented among a host of competing channels.

Raymond Snoddy

Marmaduke Hussey: moral principles and commercial advantage coincide

'Cornerstone of British broadcasting'

BBC could benefit in the long run

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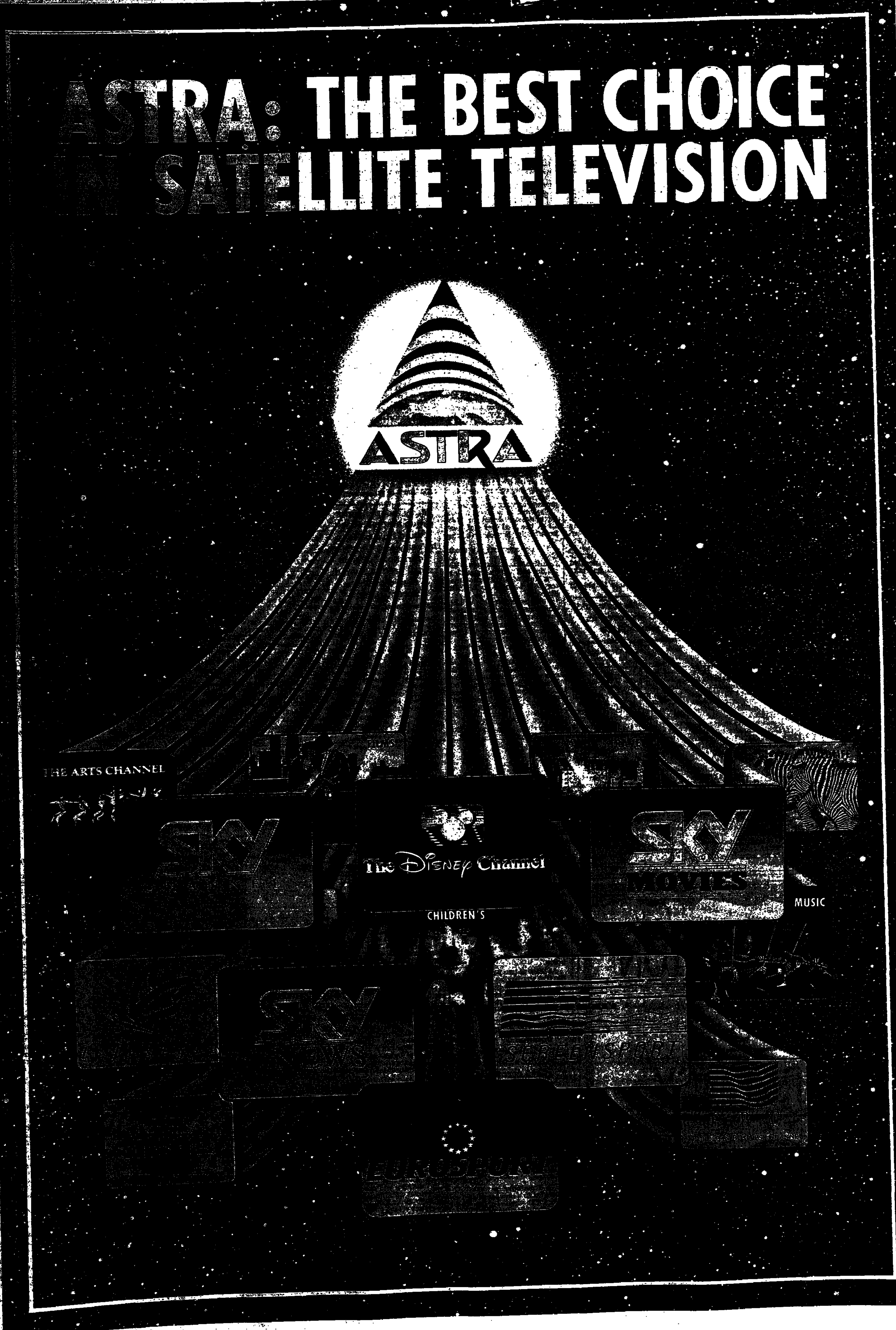
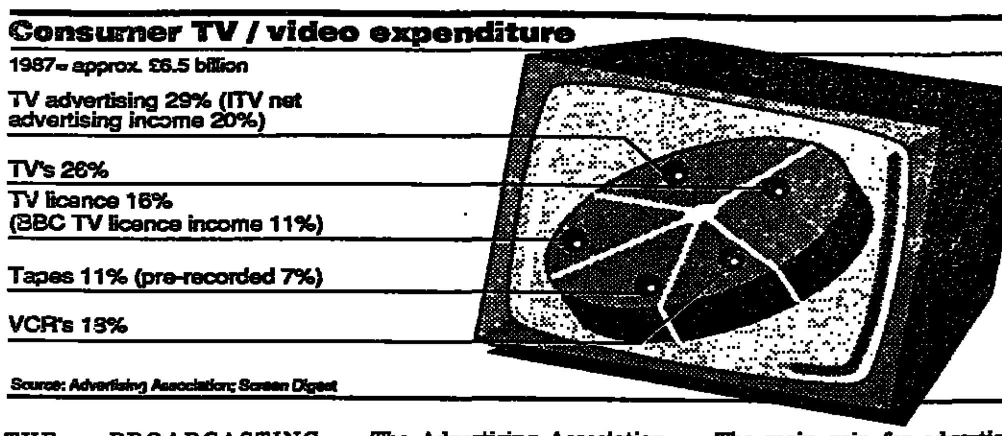


New channels should curb airtime costs

A shot in the arm for advertisers



THE BROADCASTING revolution in the UK ought to present great opportunities for the advertising industry and for advertisers.

Satellite television and a new Channel 5 give them more opportunities. Then there are the Government's plans to introduce more internal competition into the industry and in particular the insistence that Channel 4's airtime should in future be sold separately from that of the ITV companies.

The new channels and the extra competition should, at least in theory, put a lid on the ever-rising costs of airtime. Advertisers have long complained of annual inflation rates in airtime of as much as 25 per cent, making advertising so expensive, it is argued, that some companies are denied access to television, lesser brands are not properly promoted and some potential new products are simply not launched.

Saatchi & Saatchi Advertising has a clear view of the merits of the changes now about to transform broadcasting. There is little doubt that choice for the consumer and the advertiser is shortly to be dramatically increased to the benefit of both, the advertising agency says.

In welcoming the destruction of the ITV advertising monopoly, Saatchi argues that the consumer has become increasingly dissatisfied with commercial television fare and there has been a marked skewing of the commercial audience towards the old and more downmarket sections of the population.

A survey of Britain's top television advertisers showed that 78 per cent welcome the availability of more television channels in the UK. A majority of marketing directors interviewed also welcomed government proposals to relax the present restrictions on sponsorship of programmes.

The television revolution is unlikely to be much help to advertisers overnight. Well into the early 1990s advertisers wanting to reach the mass audience on television will have little option but to go on ITV in prime time and pay whatever is then the going rate in what is effectively a market-place where everything on offer is clear every day.

The Advertising Association believes that advertising expenditure on television will rise by a total of 14 per cent this year — nearly 10 per cent in real terms.

The best it can offer advertisers for the immediate future is a slowing down of the rate of increase to a 5 per cent real growth in 1989 and 3 per cent real growth in the first half of 1990.

The rise of satellite television next year will offer advertisers a dramatic increase in the television advertising time available. Three of the five channels on Mr Rupert Murdoch's Sky Television will be advertising financed as will Mr Robert Maxwell's pop music and news channels with some opportunities for advertising on the two W.H. Smith subscription channels.

Of Britain's top TV advertisers 78 per cent welcome the availability of more UK television channels, according to a survey

Mr Murdoch has already announced the broadcasting revolution and Sky has promised to undercut ITV rates by at least 25 per cent.

Then in the autumn British Satellite Broadcasting will launch its three channels of television — two of them advertising financed.

Apart from the fact that the new satellite channels will be carried on Britain's cable television network, their impact will depend entirely on the number of consumers that can be persuaded to buy the necessary receiving equipment costing about £250.

Mr Murdoch hopes that 1m dishes will be sold in the first year. Other industry estimates think that 500,000 to 600,000 would be a more realistic estimate and others are even more pessimistic.

It seems difficult to see how satellite broadcasting will make much impact as an advertising medium much before 1990.

Likewise, most of the changes envisaged for the land-based commercial television system will not take effect before 1993. A sixth television channel, if one should prove technically viable, will probably not happen before the mid-1990s.

The main gain for advertisers in the changes when they do finally occur will be the possibility of directing their advertising more precisely at target audiences.

The effect of greater competition between ITV and Channel 4 could actually be to increase the cost of airtime given that no extra minutes of airtime are involved.

Some industry specialists, such as Professor Harry Henry, are warning that insofar as the plans for new channels are designed to relieve the cost pressure on advertisers, they are unlikely to have any such effect.

If the audience for commercial television fragments among a large number of new satellite and land-based channels, each individual advertising slot may indeed cost considerably less but the advertiser will have to pay as much and possibly more to reach the same slice of the population as before.

The ultimate nightmare for advertisers in a multi-channel commercial environment would be if a securely funded BBC performed strongly against a fragmented commercial opposition and managed to improve its relative position in the marketplace. The Government has of course decided that the BBC will not take advertising.

The ultimate nightmare for advertisers would be if a securely-funded BBC improved its relative position in the marketplace

It is impossible to predict how the British viewing public will react to the new multi-channel choice. The BBC could face a serious squeeze of its audience but if it does not, then advertisers could end up paying more for a lesser audience.

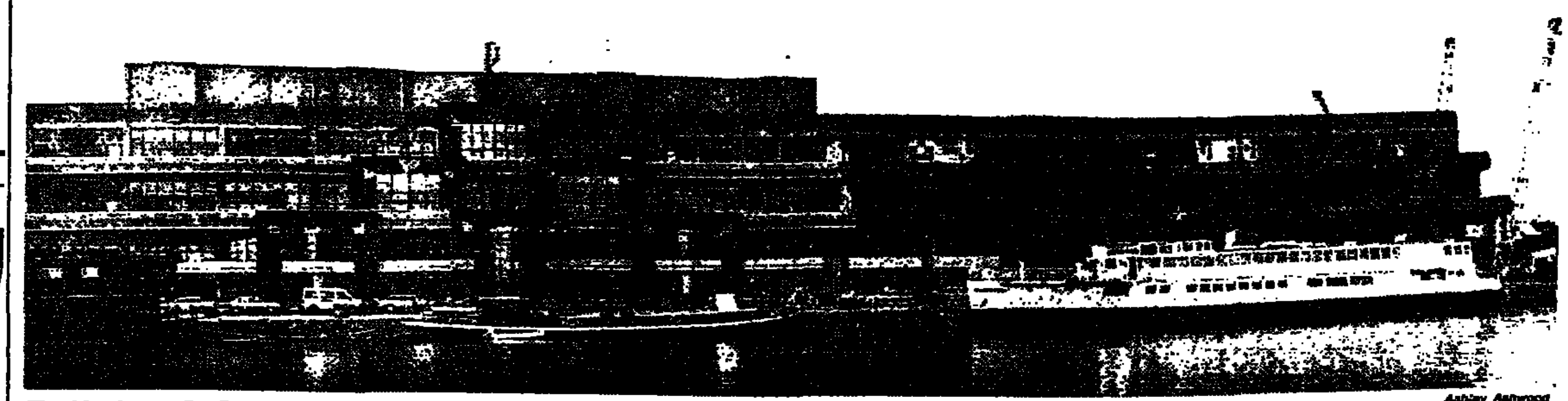
The advertising industry does seem to be certain of one thing however: more choice will not mean endless rubbish.

The fastest-growing sectors of advertisers seek viewers currently attracted to high quality programming, according to Saatchi.

Consumers have varied tastes and seek a diverse range of programming just as advertisers seek a diverse range of viewers for their commercials.

The survival of television companies will depend on their ability to satisfy the viewing desires of the consumer, Britain's largest advertising agency says.

Raymond Snoddy



The Limehouse Studios at Canary Wharf, Isle of Dogs, London, is currently being used by independent producers

Ashley Ashwood

INDEPENDENT PRODUCERS

Big studios to be less dominant

AMONG THE clearest winners under the new broadcasting regime will be the independent producers. The Government has made it absolutely clear it believes the part played by independent producers in programme making in the UK will continue to grow with the clear implication that a 25 per cent minimum for originated programming will be written into the new broadcasting bill.

But the likely advance of the independent producer, virtually created as a separate sector in the UK television industry by Channel 4, which commissions or buys all but one of its programmes, does not stop with a minimum quota.

The financial pressures on existing broadcasters will encourage a drift away from staff production and the farming out of an increasing proportion of programmes to a growing army of independents.

The process is likely to get an enormous boost in 1993 when the holders of new broadcasting licences go on the air.

The Government has made it clear that, as well as traditional broadcasters with studios and a standing staff, a new breed of publisher-contractor will be able to bid for licences.

Publisher-contractors will be companies intending to meet their broadcasting obligations by either commissioning or buying in programmes from the independent sector.

It is entirely possible that in future, in place of ITV companies such as London Weekend Television or Yorkshire Television with their large production staff and well-equipped studios, there will be publisher-contractors with a small number of commissioning editors and no production staff at all.

The changing nature of television production in the UK can also be seen in satellite television. British Satellite Broadcasting, the UK's direct broadcasting by satellite venture, has put most of its programme provision, usually in the form of blocks of hours, out to competitive tender.

For instance, BSB recently awarded Crown Communications, a group which controls the London Broadcasting Company, a £60m contract over five years to provide about eight hours a day of news for its NOW channel.

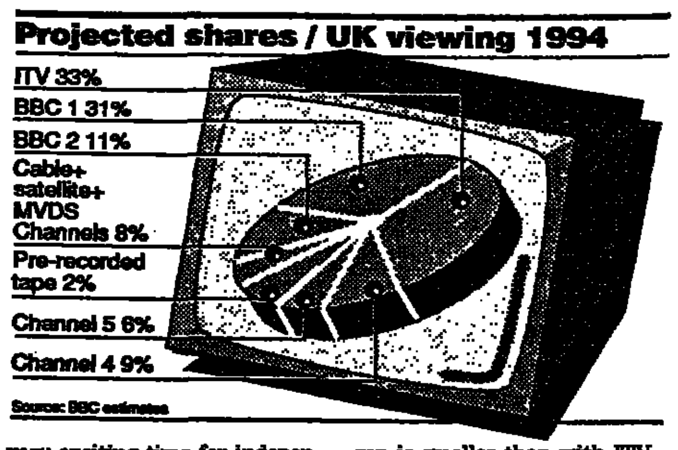
Mr Paul Styles, director of the Independent Programme Producers' Association, the trade body now representing 530 independent production companies, estimates that the UK market is now worth more than £150m.

This is made up of £70m for 1,500 hours of programmes for Channel 4, £17.5m for 200 hours a year at the BBC and a claimed £60m for 267 hours for ITV.

Many independents argue that television should be a cottage industry and creativity flourishes better in small groups than in studio-owning bureaucracies

Mr Styles, who has recently been in Australia helping to set up a Commonwealth Independents Alliance following the creation of a similar co-ordinating group in Europe, believes the total spending on television programmes made by the British independent sector will double to more than £300m a year by 1993.

"I think this is going to be a very exciting time for independent producers who have already proved themselves that they can make as good programmes as anybody else and probably cheaper," said Mr Bernard Clark, managing director of Clark Production, an independent based a stone's throw from Channel 4 in London.



Three years ago Mr Clark, a former BBC producer who has worked on programmes such as Nationwide, Time Watch and Omnibus, decided the opportunity was too great to miss and went independent.

His company, which employs between seven and 20 people depending on production schedule, with a turnover of around £600,000, has made three programmes with Bernard Levin – Hannibal's Footsteps, To The End of The Rhine and Fifth Avenue. It was also responsible for a Japanese season on Channel 4, is making a documentary series for the BBC and planning a financial programme for Television South.

"There is no doubt that we are considerably cheaper than ITV," says Mr Clark. He believes as an independent he can also produce more cheaply than the BBC, although the gap is smaller than with ITV.

Mr Clark believes there is another lower level of costs yet to be attained in British television production and that there will be great demand for programmes at £10,000 an hour.

"In the next few months I am going to offer BSB a series of 50 half-hour programmes from around Britain. If they take 50 we have a deal. If they want 20, forget it," says Mr Clark, who says economies of scale are needed to get costs down further.

Any independent worthy of the name, he believes, should be able to make programmes for all the new markets opening up including the new opportunities for local television envisaged in the white paper. Many independents argue that television should be a cottage industry and that individual creativity flourishes better in small groups rather than in large studio-owning bureaucracies.

The government has embraced the independent sector for many reasons. There is the instinctive preference for small businesses compared with the established duopoly, BBC and ITV, the desire to open up the broadcasting market to newcomers and the pressure independents apply to costs and restrictive practices.

Already the government's stated intention that it wants to see a minimum of 25 per cent of original production going to independents has created the beginnings of a genuine market in ideas and programmes. An ITV company which believed, for example, that the costs and manning levels for a new in-house drama series would be too high now has the option of going out to independents.

Despite a remarkably successful political campaign over the past few years the independents are still worried about the future and in particular their future independence.

What is there in the white paper to keep the independents independent? Some fear many of the small independent companies will fall by the wayside as large new companies are attracted to the sector by the prospect of large contracts.

Already there are signs of new entrants from outside the traditional independent sector. Island Records is setting up a television division and advertising agency; Leo Burnett has announced plans to enter television production.

There are also fears of too great a degree of media concentration with national newspaper proprietors able to own two of the new regional franchises if they do not have local newspapers in the areas involved. Mr Clark believes it unlikely that the independent sector will coalesce into half a dozen super-independents but there will probably be divisions of large, medium and small companies, but always with room at the bottom for new entrants.

In the new challenging era for independents, he believes, there will be "a new energy with new creativity much closer to the surface."

Raymond Snoddy

COMMERCIAL RADIO

A future bright with diversity

UNLIKE THE television industry, virtually everyone involved with radio in the UK is enthused by the government's new proposals for their medium, which will completely transform it within the next few years.

The only criticism is that the changes are being delayed for a year, because the legislation will be enacted at the same time as the plans for television.

Radio can be optimistic, because the financial base of the industry, or at least the commercial sector which will experience most of the innovation, is enjoying a boom.

As little as two years ago, the IBA was having difficulty even giving away the contracts for new local commercial radio stations. But, in the past year, radio's advertising revenue has risen by 25 per cent to almost £120m, and the contractors are reporting ever higher profits – £9.3m in the case of the largest, Capital Radio in London.

A network of up to 500 community radio stations, serving localities about 15 miles across, is envisaged. It will cost up to £200,000 to start a station

This turnaround is attributed to a number of factors. The support of the IBA in reducing the rental charges for the stations, from £6.1m to £4.6m; new and energetic Australian ownership of major stations, which has improved morale; more companies marketing radio advertising; the higher cost of television – all these have contributed.

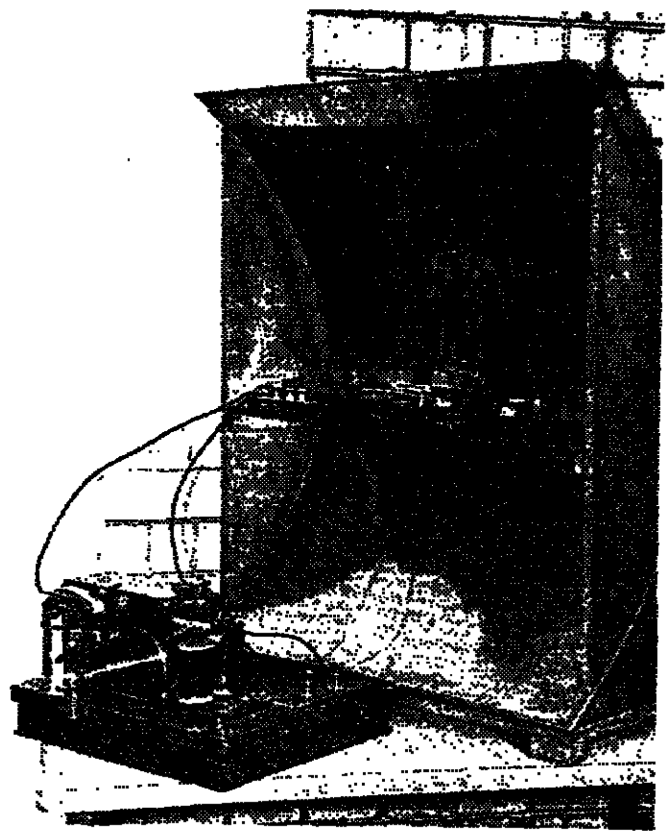
The existing contractors face the future on a wave of unprecedented prosperity. As a result, the IBA has started to seek new contractors again, for commercial stations at Yeovil/Taunton, Milton Keynes, the Borders and south-west Scotland – additions to a current network of 46 ILR stations, which will shortly be boosted by the arrival of Cambridge/Newmarket, Hastings/Eastbourne and Oxford/Banbury.

The main organisational change for radio in the White Paper on Broadcasting is its removal from the control of the IBA, and the establishment of a new Radio Authority. But the IBA might have quite a lot to do with the new authority, at least in terms of personnel, because it has been given the task of setting up the first 20 community radio stations, which should start to arrive on air next summer.

The government envisages an eventual network of up to 500 such stations, serving localities about 15 miles across, and designed to be either neighbourhood stations or community-of-interest stations.

An obvious candidate for one of the first licences would be the Greek language station, already broadcasting in north London. Others would concentrate on sports, or various specialist types of music like jazz or country-&-western, or local ethnic groups, or just set out to be a neighbourhood newspaper of the air. It is up to the organisers of each station to convince the IBA of its relevance and commercial viability. The IBA obviously hopes that, if it gets the system off the ground, it might itself form the framework for the Radio Authority.

It will cost up to £20,000 to start a community station, but there should be no shortage of applicants. Some might form sales links with existing ILR stations, but the government proposes to limit any media owner, however large, to the control of just six commercial stations, be they community or an existing operator (the distinction is set to disappear).



An early wireless receiver, used by Marconi in his experiments

The Association of Independent Radio Contractors, which represents the existing commercial stations, is quite sanguine about the new competition, calculating that community stations will take advertising revenue away from the local free-sheets, which in little over a decade have built up a collective advertising income of almost £600m.

At last the owner of the corner shop or the local garage will be able effectively to use radio to advertise: the existing commercial radio stations have always covered too large an area to work efficiently for the small businessman, although "local" advertising accounts for half the stations' income.

The current ILR stations not only face competition from the community radio licensees. It is also proposed to set up three national commercial stations that are supposed to have a diversity of programming, which means that the Radio Authority will not approve of an all-out pop channel.

These stations will cost at least £30m a year to operate, with much of the expenditure going on high salaries for top radio personalities lured away from the BBC.

The larger existing ILR stations, such as Capital, will be keen to have an investment in the three stations, which will attract those national advertisers who, in the past, have found advertising on radio too much hassle.

The best defence of the ILR stations against the big brothers is their local appeal. They can hold an audience against the BBC, having better local listening figures than Radio One, so they feel confident that they can fend off national commercial competitors.

The BBC is largely unaffected by the new proposals. It can do what it likes in the radio area within its existing financial restraints. It is committed to a fifth channel, Radio Five, which will concentrate on sport and education. But whether it develops its rather lacklustre local radio network is entirely its own business.

Radio in the UK has lagged behind other countries for years, not least in its share of the advertising cake – 2 per cent, compared with 9 per cent in Australia and 11 per cent in Canada. Now its future is bright with diversity.

The actual weekly audience for radio in the UK is already over 90 per cent of the population; so, unless individual listening hours are much extended, the new entrants can only survive by winning over the existing audience – a difficult proposition.

Apart from their current profitability, the local ILR stations have another advantage over the newcomers. They are currently seizing the opportunity to broadcast on two wavelengths. Capital Radio has just introduced Capital Gold, which should tie up another tranche of listeners.

With two established stations in the market-place, and years in which to build up loyalty, to say nothing of investment opportunities in their new rivals, the existing ILR stations are right to welcome the new age for British radio.

Antony Thorncroft

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FT
FINANCIAL TIMES CONFERENCES

CABLE TELEVISION AND SATELLITE BROADCASTING

Hotel Inter·Continental LONDON 20-21 February, 1989

The Seventh Financial Times Cable Television and Satellite Broadcasting Conference comes at a dramatic turning point as the new media revolution begins in earnest.

The French DBS satellite has been successfully launched and, at the very time the conference is being held, the Astra satellite should be beaming 16 channels of television across Western Europe and with it, Mr Rupert Murdoch's four channels of Sky Television. Within a matter of months British Satellite Broadcasting will take the UK into the high power DBS revolution.

At the same time, cable television is attracting increasing financial support. In Britain, for example, the major American cable operators appear to be queuing up to invest. Will cable benefit from its capacity to deliver all the competing channels and cut through the problems of competing dishes and standards, or will the satellites get there first?

The British Government has also made it clear it wants to create a host of new business opportunities with the deregulation of the British broadcasting system – business opportunities that will be available to companies throughout the European Community.

But who will be the winners and losers in the world of the new media and will satellite receivers really become the new consumer electronics product the industry is looking for as video recorder sales tail off?

The FT conference, which has established itself as the leading forum for the discussion of the future of an important new industry, will look at the hardware and the software, how the consumers will react and what the impact on the traditional broadcasters will be.

PROGRAMME

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The Rt Hon The Lord Thomson of Monifieth, KT, PC
Chairman
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OPENING ADDRESS
Mr Timothy Renton, MP
Minister of State at the Home Office

SATELLITE COMPETITION IN EUROPE
Mr Andrea Caruso
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Dr Pierre Meyrat
Director General
Société Européenne des Satellites

SATELLITE COMPETITION IN THE UK
Mr Anthony Simonds-Gooding
Chief Executive
British Satellite Broadcasting

WHAT THE SATELLITES HAVE TO OFFER
Mr Jim Styles
Managing Director
Sky Television PLC

Mr Mark Booth
Managing Director & Chief Executive Officer
Maxwell Entertainment Group

Mr Francis Baron
Managing Director
W H Smith Television

BBC'S PERSPECTIVE OF THE NEW MEDIA
Mr Michael Checkland
Director General
British Broadcasting Corporation

THE MARKET FOR SATELLITE RECEIVING EQUIPMENT
Mr Bill Cotton
Director
Alba plc

DISTRIBUTION AND RETAILING OF THE RECEIVING EQUIPMENT
Mr Graham Lawson
Managing Director
Megasat Limited

NEW MEDIA POLICY IN EUROPE
Mr Elco Brinkman
Minister of Welfare, Health & Cultural Affairs
Netherlands

THE MARKET FOR SATELLITE CHANNELS – WHO WILL PAY?
Mr John Clemens
Director
AGB International Research

AN ADVERTISER'S VIEW OF THE MARKET
Ms Judy Thomas
International Media Director
D'Arcy Masius Benton & Bowles

DEVELOPMENTS IN UK CABLE
Mr Jon Davey
Director General
Cable Authority

US INVESTMENT IN CABLE IN THE UK
Mr Adam Singer
President
United Programming

DEVELOPMENTS IN GERMANY
Dr Burkhard Nowotny
Geschäftsführer
Bundesverband Kabel und Satellit eV

DEVELOPMENTS IN FRANCE
Speaker to be announced

FORUM: THE FUTURE MARKET FOR PROGRAMMES – WHAT WILL BE THE SIZE OF THE AUDIENCE?
Mr Robert W Ross
Managing Director
CNN International Sales Limited

Mr Julian Kerr
Managing Director
Visnews Limited

Mr Richard Wolfe
Chief Executive
The Children's Channel

Mr John C Griffiths
Chairman and Managing Director
The Arts Channel

Mr Brian C Lawrence
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CABLE TELEVISION AND SATELLITE BROADCASTING

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Christopher Dunkley on the new television age

More-than-even chance that quality output will rise

THERE IS one certainty, but only one, about the dawning of the new television age. Nobody knows which transmission system will eventually predominate. Nobody knows who will come out on top either nationally. (Michael Green? Robert Maxwell? Michael Checkland?)

There are those in commercial television who gloomily predict that within a decade the BBC will be dominant in all but a few cheapskate fields of programming (thanks to the fragmentation of the commercial sector) and also internationally (Rupert Murdoch? Silvio Berlusconi? Ted Turner?) The single certainty is that there is going to be more television, and among those who worry about such things the big question is: will more mean worse?

There are strong arguments on both sides. It might be said that in all aspects of life where huge increases have been achieved in the modern world, more has indeed meant worse, whether in matters which bear very little comparison with television – housing, hot food and motor cars for instance – or in much more comparable matters such as music, print and live entertainment.

Compulsive viewing: Geraldine James and Stuart Wilson in Granada's "The Jewel in the Crown"

The difficulty with this entire debate, is that ideas of "better" and "worse" are wholly subjective. Lovers of classical music would naturally argue that while there may be more of Kylie Minogue and Rick Astley than there used to be of Bach and Mozart, the music is worse. Tabloid newspapers sell more copies than their broadsheet competitors, but the same people would judge them worse, and the lunchtime strip show in the pub would hardly be reckoned better than the local rep of old, never mind Shakespeare.

Among those who insist that more *always* means worse, it seems self-evident that tower-block flats, Kentucky Fried Chicken and the Ford Fiesta are "worse" than Georgian terraces, the Connaught and the Bentley Continental. The difference, of course, is that one set can be mass-produced and the other set cannot, so that the comparison is not very helpful. The millions who have achieved car ownership thanks to mass production would never have been able to afford a Bentley Continental.

There is, however, a fundamental difference between such products and television programmes. The arrival of a Kentucky Fried Chicken shop in every high street has not meant the closure of The Connaught, but there are those who believe that the arrival of 24-hour "entertainment" channels via satellite will inevitably mean the end of the present "high quality" service delivered by British television.

The words "high quality" are in inverted commas because this claim is open to question. In the recent past the existing ITV franchise holders have become very keen on delivering warnings about the inevitable decline in quality if the franchises are put up for auction, as the Government White Paper suggests. We have been told not once but dozens of times that if this plan goes ahead, then "you'll never see another *Brideshead* or *Jewel In The Crown*."

Cynics would claim: "They would say that, wouldn't they?" but it is even more important to remember the dates of the two series and the producers. The idea that the 16 ITV companies are busy churning out a succession of such award winners is quite false: *Jewel In The Crown* was made five years ago, *Brideshead* seven years ago, and both were produced by Granada.

No other ITV company has ever made anything as good, and Granada itself has done nothing comparable for five years. On the other hand, in just one week of the current autumn season ITV was screening such imported American drama series as *Beauty And The Beast, The Equalizer, Lou Grant, Kojak, Hill Street Blues, The Waltons, Murder She Wrote,* and *Knight Rider.* So much for ITV's dedication to British quality, and so much for the dangers of satellite television *introducing* "American cultural imperialism" to Britain.

That said, it is already clear that in their preparation to meet the challenges of a more competitive world, the existing ITV companies are quite deliberately shifting effort and resources away from the less popular areas of programme-making and into areas likely to result in better ratings.

■ There is talk of Thames saving 500,000 by scrapping all religious programmes.

■ The programme controller at LWT has warned of the poor cost-effectivness of providing children's programmes.

■ We are told that ITV's new Sunday current affairs series *Eyewitness* starting in January will be "populist rather than specialist," and the editor says: "I believe there are things you can learn from the tabloid papers."

■ Any ITV company building a war chest with which to bid for its own franchise at auction is likely to start saving money wherever possible on current programme plans.

These points all seem to support the ITV contention that there will be reduction in the "quality" of the output. But ITV is going to be only one part of the new age of television, and in calculating the total effect for the viewer it is necessary to remember other points:

■ The BBC (biggest and most experienced producer of television programmes in the world) will still be in business.

■ Channel 4 will still be broadcasting, and still charged with serving a specialised function.

■ Past increases in programme production, as with the coming of ITV (also hailed by the existing televisionestablishment as endangering quality) resulted in *improved* quality.

■ Other mass media successfully sustain a broad range of material from extreme populism to extreme specialisation with high quality at many points within the spectrum.

■ Despite bilious claims from British chauvinists that in the US the television revolution has meant "35 channels of identical rubbish" the facts prove otherwise. News channels, movie channels, children's channels, music channels, arts channels, Hispanic channels, business channels are allowing viewers to choose what they want, when they want it. Finding quality is no more difficult than finding it on a packed news stand.

It has never been clear why the British government considers it necessary to tamper with ITV in the course of opening up television to a larger number of producers and distributors.

The logical course would have been to leave a highly successful system alone and usher in the newcomers to add to the competition. If the franchise auction really is imposed on ITV as the government threatens, then ITV quality clearly will deteriorate.

But as satellite operators, cable channels and independent producers proliferate, there seems a more-than-even chance that the total output of high quality material will rise. The quantity of surrounding trivia may well be so vast that you will need considerable expertise to track down the quality but that will simply put television into the same category as food, music and newspapers.

CABLE TELEVISION

Franchises granted 'to remove uncertainty'

THE government's promise of several dozen new television channels and proposals to auction ITV franchises to the highest bidder may have attracted most of the headlines, but its plans for cable television are, in their own way, just as radical.

All attempts at official government persuasion to encourage the creation of sophisticated networks capable of interactive (two way) services and advanced telecommunications have been quietly dropped. Subject to minimum technical standards operators will be free to build networks to the standard they believe will be commercially viable.

"The extent to which they lay down cable facilities physically capable of functioning as a fully interactive telecommunications network will be a matter for their judgment: not one for government or regulators," the white paper says. It goes on, of course, to emphasise that investors will be free to build such sophisticated networks if they want to.

As part of its new "technologically neutral" policy on cable, the winners of new 15-year local television licences to be allocated by competitive tender will be able to use cable television, microwave television (MVDS) or a mixture of both. Cable operators will be able to decide how much of an area to cable compared with present franchises where the entire franchise area applied for is expected to be cabled eventually.

The downside of the new local television licences to be awarded by the new Independent Television Commission, which will replace both the Cable Authority and the Independent Broadcasting Authority, is that in most cases the owner of the network will not also be able to sell the programme services carried on it. Instead, the government envisages a new breed of local television retailer springing up to sell television services direct to the consumer.

As Mr Timothy Renton, Home Office minister responsible for broadcasting, told the cable industry at a convention last month the thrust of government thinking is that "where possible each part of the chain of programme production and supply should be subject to competition. That way lies efficiency and diversity."

The cable industry was horrified by the proposed split between network owners and operators and retailers of programme service. The last thing that will help the spread of cable, some argued, would be "35 different retailers knocking on doors trying to sell cable".

Mr Renton saw it quite differently. Few would think it right, he argued if consumers had only one retailer in a particular area to buy television sets from, or a single broker selling insurance. "Why should locally-delivered television services be different?" Mr Renton asked.

Potential new cable operators in the UK now have an interesting choice to make. They can decide to wait, probably at least another two years, to bid for the new licences with their mixture of greater freedom and penalties or apply to the Cable Authority for franchises under existing legislation and with it greater obligations and little chance of integrating MVDS – over-the-air broadcasting of as many as 30 channels to local areas – into their plans.

Mr Renton made it clear, however, that if there there was a real demand for new franchises under the existing framework "then it is clearly right that it should be met".

The Cable Authority, which has been scathing about the "massive dose of uncertainty" the government has injected into the cable industry at the very moment when investor interest is growing, has taken a very clear line.

"We shall do all in our power to remove that uncertainty by granting franchises under our existing franchising process as quickly as we can to applicants who may wish to apply," said Mr Richard Burton, chairman of the Cable Authority.

And just to ram home the point, the authority announced the award of three large previously-advertised franchises: Avon, Thames Estuary North, and Thames Estuary South covering a total of 700,000 homes to companies in which United Cable of the US has a substantial interest. At the same time the authority announced it was advertising four new franchises, three in London and the four for the City of Cambridge and its surroundings, and Mr Burton said he expected "business to be brisk".

It would be ironic if the government proposals stimulated a rush into cable by people trying to avoid the new regulations expected to become law by the summer of 1990.

Cable has so far been, at best, a very modest success in Britain with only about 263,000 homes connected and only 53,000 of those on modern broadband (multi-channel) systems. Yet nearly 6m homes are now covered by franchises either awarded or announced, a figures that could, in theory, make cable available to some 15m viewers one day.

The industry that many people predicted would die has two major things going for it. One is American money. The US cable industry is now immensely profitable and powerful with cable now available in more than 45m American homes – over 50 per cent – and annual revenues expected to reach $13bn this year. Many of those operators, and United is just one example, are looking at the UK as a promising place to invest.

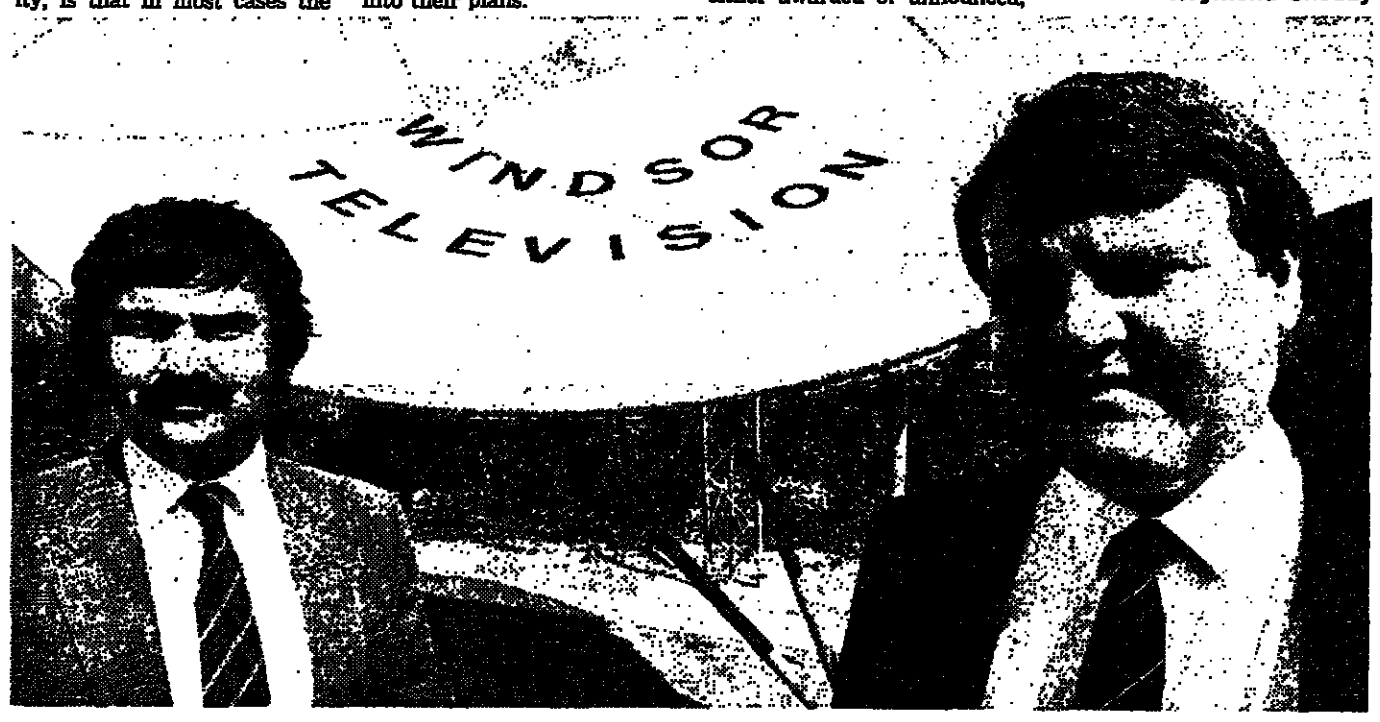
The US operators are arguing, however, that the restrictions on non-European Community companies controlling cable franchises should be lifted – an issue about which the white paper had nothing to say.

Ironically, the other major plus could be satellite television which many cable operators see not as a rival but an important ally. The new satellite channels, whether Mr Rupert Murdoch's Sky Television on the Astra satellite or British Satellite Broadcasting, will be broadcasting brand new channels which may be more interesting than many existing cable channels.

At a time when consumers are likely to be confused about different satellite receiving dishes and different broadcasting standards the cable industry will be able to scoop up all the available channels and deliver them to the home down a single cable.

As Mr Nicholas Mellersh, director of the Cable Television Association put it recently: "Astra and BSB are the best news for cable for years."

Raymond Snoddy



Windsor Television has been in cable TV for two years. Tim Halfhead (l) is sales director and David Whitaker managing director

Getting the message across

Next year should be good for point-to-multipoint

SENDING AN identical message to more than a handful of people can be time-consuming and expensive.

A bank or building society, which wants to let its branches know the latest change in interest rates, could rely on posting hundreds of letters. More likely, because of the urgency of the information, it would try to send it by facsimile.

But even that has its problems: bank headquarters do not have hundreds of facsimile machines; telephone lines tend to get clogged up at precisely those times when they are needed most; facsimiles often have to be sent again, because the message gets scrambled.

A bookmaker, wishing to relay pictures of the latest horse races to its betting offices, could deliver videos of the events to them all by courier. By the time the bikes had arrived, however, the race would be over and the punters would be in the pub.

The solution to these problems – and many others, where there is a need to deliver the same message to a large number of locations – can provided by a new service, which combines elements of telecommunications with broadcasting.

Known as point-to-multipoint communications, the service is similar to broadcasting in that the same message is sent simultaneously to more than one person. It is similar to telecommunications in that the message is sent to targeted locations, not to all and sundry.

Point-to-multipoint communications services are transmitted over the airwaves – either terrestrially or via satellite. The message being sent is encoded so that only those locations with the correct equipment can receive the message. This ensures both that sensitive messages are not intercepted by the wrong people and that people can be charged for using the service.

In the UK, point-to-multipoint services have until recently been the monopoly of the broadcasters and the telecommunications operators.

For the past two years, the BBC, through its BBC Datacast subsidiary, has been offering the services. Its customers include the London Stock Exchange, the Financial Times, the UK Post Office and the Halifax Building Society. The Independent Broadcasting Authority offers similar services in association with Aircall Communications, a telecommunications services group. The broadcasters have transmitted their services terrestrially, using spare capacity which is not used for sending television pictures.

The telecommunications operators – British Telecom and Mercury Communications – have been able to offer similar services, using satellites for transmission. BT has several customers for its facility, including Satellite Information Services, which transmits information to betting shops.

The market for point-to-multipoint services, however, is expected really to blossom in 1989, following the UK government's decision to deregulate the market by abolishing the BT-Mercury duopoly.

A further boost is expected when British Satellite Broadcasting – the UK's flagship for direct broadcasting by satellite in which Pearson, owner of the Financial Times, has a stake – launches its satellite in September. BSB plans to use the spare capacity on this for point-to-multipoint services.

One reason for optimism that the market will take off is that 27 companies applied for licences to offer specialised satellite services – many with innovative ideas of the services they wanted to provide – when the government decided to deregulate the market. In the end, only six licences were awarded, but it is likely that most of the unsuccessful applicants will want to offer their services, using the successful applicants' facilities.

The six successful applicants were: British Aerospace; BSB; EDS, the communications subsidiary of General Motors; Maxwell Satellite Communications, part of Mr Robert Maxwell's empire; Satellite Information Services; and Uplink, a specialist consortium.

Hugo Dixon

Free market of the air

Continued from Page 1

cally high bids in the expectation that the terms of their contract will be subsequently renegotiable."

The final details of how the auction process will work have yet to be worked out.

The government intends awarding three new national channels of commercial radio to the highest bidder after a basic qualifying test conducted by a new Radio Authority and also envisages several hundred new local and community stations.

As the battle gets under way to influence the shape of the broadcasting bill covering both radio and television, the position of the audience and how viewers and listeners will react both to the extra choice and the extra competition could become a significant issue.

In Television and its Audience*, a book published this month, Patrick Barwise and Andrew Ehrenberg of the London Business School argue that many of the features of television are fundamental and not liable to rapid change.

The fundamentals include massive viewing, low involvement of most of those viewing, the high cost of making watchable programmes and the low cost to each viewer because the audiences are so large.

Barwise and Ehrenberg believe that over the next 30 years present patterns of viewing are unlikely to change dramatically, although people may watch more than they do now and spread their viewing over slightly more channels.

"Most of what people watch will be of the same broad types as we watch today, viewed (we think) in pretty much the same way. None of this heralds a revolution in the place of this giant medium within our daily lives," Barwise and Ehrenberg conclude.

**Television and its Audience. Patrick Barwise & Andrew Ehrenberg. Sage Publications.*